



2010/11

STATEMENT OF ACCOUNTS

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You can obtain additional copies of this Statement by writing to Zulfiqar Darr, Head of Corporate Finance and ICT, South Gloucestershire Council, Council offices, Thornbury, Bristol BS35 1HF or by telephoning (01454) 864670

**Independent auditor’s report to the Members of South
Gloucestershire Council**

Basis of audit opinion

Conclusion

Explanatory Foreword

1. Summary of the Council's performance

In recent years the statutory Statement of Accounts document has become much longer, and much more complex. This year there is additional complexity as the Council now also has to comply with the International Financial Reporting Standards (IFRS) for the first time. This more extensive and modified regulatory regime, whilst aligning practice with European reporting requirements, means that for most people, the Statement obscures what used to be its main purpose, i.e. to show local residents and other stakeholders, how the Council has used its resources during the year. This foreword attempts to redress this balance.

The Council underspent its £187.8m revenue budget by £0.193m (-0.1%) in 2010/11 before deciding to make an additional contribution of £193k to the corporate Severance provision which meant the final Outturn matched the Budget. This is a very good performance in increasingly difficult times. The Council also maintained its high level of capital investment in schools, roads, libraries and other facilities spending about £88m which was slightly lower than the £103m spent in 2009/10 but around double the typical year historically. In addition to providing important local facilities, this provided the opportunity for much needed work for local construction companies.

There are three key ways of judging the performance of the Council: how does its level of spending compare with other similar councils, how does the quality of its services compare with others, and how satisfied are residents with the services. South Gloucestershire performs well on all three tests. Its 2010/11 budgeted spending per head of population was within the lowest ten of the 55 unitary councils. In the latest available published national comparisons (2009/10), the Council's performance was in the top 25% of unitary councils, and it had the 6th highest resident satisfaction score of all the unitary councils. Together, these measures confirm that South Gloucestershire delivers very good value for money to its residents.

2. Introduction to the Statement of Accounts

This introduction provides an explanation of the five main accounting statements, a comparison of spending against budget for 2010/11, details of capital spending and funding, a note on general reserves, a note on pensions, a note on capital investment strategy and treasury management activity, and comments on the outlook for the current year and the next few years.

3. Main statements

The five main statements in the Council's accounts are :

- a. **Comprehensive Income and Expenditure Account (CIES).** This shows the net cost of services, and how they have been funded from government grants and local taxpayers. It shows a surplus for the year of £79.6m. This presents an immediate difficulty reconciling this to the statement in paragraph 1 above that the Council spent on the Revenue Budget in 2010/11. The answer is that these Statements of Account have to be presented in accordance with the current UK accounting standards which for 2010/11 are now IFRS based. These differ hugely from the basis required by national statute for local authorities. Many readers will think that this difference is difficult to understand. They would be right. The table below reconciles the two figures.

	£ million	£ million
Comprehensive Income & Expenditure Account Surplus for 2010/11		(79.6)
Less Excluded Items - Capital grants	52.0	
- Net pension liability changes	57.8	
Depreciation and reduction in value of Council's assets	(32.5)	
Written down capital spending not adding to asset values	(8.9)	
Loss on disposal of assets	(4.7)	
Net transfers to reserves	5.9	
Provision for debt repayment (Minimum Revenue Provision)	7.1	
Other minor adjustments	2.9	79.6
Revenue Budget Outturn Surplus for 2010/11		(0.0)

A number of major adjustments need a brief word of explanation. Under the new IFRS requirements, Capital Grants (£52.0m) are included in the CIES account but are not part of the Council's revenue account as this income is used to finance capital expenditure. Similarly, the Net Pensions Liability credit change (£57.8m) is also excluded from the Council's revenue account. This latter adjustment is due partly to improved investment returns and partly to a non recurring gain of £37.2m affecting the Council's LGPS pensions liabilities arising from the Government changing the basis of indexing from RPI to CPI and other changes to actuarial assumptions. As land and property values have fallen during the last year, the value of the Council's fixed assets – its schools, libraries, elderly peoples homes etc, has fallen. Under UK accounting conventions, this £32.5m or approximately 4% loss of value, has to be written off to the CIES account. None of these costs has any real impact on residents, or on the level of future council taxes.

- b. Movement in Reserves Statement.** The Revenue Outturn expenditure matched the Revenue Budget so there was no change in the General Fund balance of £9.2m. This is equivalent to 5.1% of the Council's annual budget and is in line with the Council's policy of maintaining a minimum balance of 5%. This balance exists to cope with any unexpected and large events that, the Council could not deal with without major impacts on services to residents. Earmarked reserves increased by £4.4m to £46m. £2.3m of this increase related to higher schools balances and a further £1.8m was due to the receipt of a Performance Reward grant at the year end. A budgeted £1.4m contribution to earmarked reserves was made to help meet anticipated Government Grant losses in future years and a contribution of £0.9m was made to Street Care's Asset Replacement reserve as a consequence of moving from leasing major items of equipment to a self financing approach. The main outgoings from earmarked reserves related to £2.1m to fund part of the Office Accommodation rationalisation costs. The Net Worth of the Council increased by £96m to £534.7m, primarily as a result of the reduced Pension Liability and the increased net book value of assets.
- c. Balance sheet.** This statement shows the overall financial position of the Council. It includes the value of the assets owned by the Council, the sums it owes to others and the sums owed to it. The total value of these assets and liabilities is £537.4m. This is £96m higher than a year before. The main reasons for this are highlighted in section b above coupled with the introduction of the IFRS based accounts.
- d. Cash Flow Statement.** The cash flow statement shows where the Council's cash came from during the year, and how it was used. The Council ended up with a net cash inflow from capital and revenue activities of £27 m, which was offset by an outflow on investment activities (i.e. capital spending). The main reason for this is that the Council did not increase its long term borrowings during the year. Instead, it financed a large proportion of its capital spending from cash balances resulting in reduced investments. At the year end there was £11m temporary borrowing pending receipt of externally held funds at the beginning of April.

- e. **Collection fund.** The Council collects council tax from its residents for itself and for the police and fire services, and for 46 Parish/Town councils. All these sums are paid into the Collection fund which then distributes them. At the year end, the Collection Fund was in surplus by £0.453m of which South Gloucestershire Council's share was £0.385m. This surplus will be returned to council tax payers as part of setting subsequent years' council tax.

Much of the rest of the full document is devoted to notes to the accounts, a statement of accounting policies, and an annual governance statement. The governance statement aims to show how the Council ensures that public money is used economically, efficiently and effectively. This statement is required by law. From 2010/11, under the Audit and Accounts Regulations 2011, the annual governance statement is no longer part of the formal Statement of Accounts.

4. Comparison of spending against budget

The Council's Revenue Outturn on its services was an underspend of £0.193m (-0.1%) before Cabinet agreement to apply £0.193m additional contribution to the corporate Severance provision so the final Outturn matched the Budget. This is an improvement on the position reported at the end of quarter three. The full analysis is shown in the table below.

Service/Directorate	Budget set by Council £'000	Approved Budget £'000	Outturn 2010/11 £'000	(-)Under/ overspending £'000
Children and Young People (CYP)	35,867	34,274	34,415	141
Community Services	40,041	38,668	38,629	-39
Community Care & Housing (CCH)	67,491	66,737	68,973	2,236
Corporate Resources (CECR)	19,530	18,758	18,509	-249
Central Items	12,140	15,227	14,312	-915
Planning, Transport & SE (PTSE)	13,788	14,116	12,942	-1,174
Total	188,857	187,780	187,780	0

The major variations for the year can be summarised as follows:

- In June 2010, the incoming coalition Government reduced the amount of Area Based Grant by £1.418m as part of a £6.2Bn national efficiency savings programme for the public sector. Relevant service expenditure budgets were reduced to offset the grant reduction. Coupled with some in year supplementary allocations totalling £0.341m, this meant the original service expenditure budget set by Council was reduced by a net £1.077m to £187.780m.
- During the year CYP have been faced with significant spending pressures which resulted in overspending of £544,000 on Children's Social Services. Determined management action and some one off savings reduced the emerging pressures to this level by the year end. At the same time, compensating savings of £402,000 were identified mainly by utilising specific grants in other areas of the CYP budget, which reduced the overall overspend to £141,000.
- During the year CCH faced increased pressure of £2.29m on the Older People and Physically Disabled budget and £417,000 on the Learning Difficulties budget. This was largely attributable to a surge in demand for purchased home care hours. The department was able to generate £460,000 savings in support services and housing services to cover some of the increased costs, leaving a net overspend of £2.236m.

- PTSE underspent by £1.174m. About £1m of this was on the Youth Travel Scheme where low take up and procurement efficiencies agreed with the bus operators, generated the underspend. Development Control income was lower than expected but this was offset by savings on Bus Revenue Support following a retendered contract. Savings in Management and Central Services also contributed to the overall departmental underspend.
- Community Services achieved a small underspend of £39,000. This was generated through £92,000 savings from vacancy management and a £54,000 surplus from additional income and vacancy management in Environment Services. Community Sports overspent due to the one off costs of transferring the community sports centres to the Leisure Trust. The winter maintenance budget was overspent as a result of the severe winter.
- CECR underspent by £249,000. Customer and Revenues underspent by £44,000 as a result of vacancy management and increased court fee income which offset the considerable pressure impacting on the net cost of Housing Benefits. Property Services underspent by £97,000 from lower spending on corporate fees and a £44,000 saving on corporate buildings largely due to a higher than expected one off refund of rates on Kingswood Civic Centre.
- Central Items recorded an overall saving of £0.915m. The Capital Charges and Interest budget underspent by £171,000 due to lower than expected borrowing costs and lower charges for ex Avon debt. Savings amounting to £840,000 also arose from the pay contingency budget and on the central budget for Looked After Children, which were not required.

There were no unusual material charges to the income and expenditure account, nor were there any major changes in statutory functions which would have had a material impact on these accounts.

5. General Fund balance

The Council has a policy of maintaining general fund balances at a minimum of 5% of its net revenue budget. It has achieved this for each of the last five years.

6. Capital spending and borrowing

The Capital Programme Outturn shows an underspend against the planned spend of 4.6%. Some of this slippage, which occurred across all services, was due to the severe winter weather in December/January. The maximum slippage target was to be within 5%. This is now the fourth year running that this target has been achieved. The detail by service is shown in the following table.

Directorates	Planned spend in year £'000	Outturn payments £'000	Variation on planned spend in year £'000	Variation on planned spend in year %
PTSE	12,799	12,170	-629	-4.9
Community Services	14,815	13,885	-930	-6.3
CCH	4,976	6,405	1,429	28.7
CYP	46,370	43,880	-2,490	-5.4
Corporate Resources	13,112	11,485	-1,628	-12.4
Total	92,073	87,825	-4,248	-4.6

In 2010/11, two replacement Primary and a new Special School were completed together with the new Sixth Form block at Bradley Stoke Secondary School. The first two Extra Care Housing schemes have been completed and are now open. Over £12m was spent on Highways schemes, including £6.3m on the South Gloucestershire Council share of the Greater Bristol Bus Network scheme. The major changes from the plan were:

- CYP showed slippage of £2.5m (5.4%) at the end of the year. Severe winter weather caused delays in construction at several sites, in particular, the new Abbeywood, Staple Hill, New Siblands and the new BESD School (New Horizons) projects. All these schemes are still on programme to open on time.
- PTSE spent less than was planned (£0.6m). The main factor related to delays on the Lysander Road element within the Greater Bristol Bus Network scheme. There was no overall increase in scheme cost.
- The main reason for the Community Services £0.9m underspend was slippage of £0.5m on the Kingswood Leisure Centre project where the start of the works was delayed.
- CCH made earlier than expected payments on Extra Care Housing schemes which lead to an overspend of £1.4m in 2010/11.
- Corporate Resources suffered delays on the Kingswood and Severnside developments due to the severe winter weather.

The table below shows how the 2010/11 capital programme was financed.

Prudential Borrowing £'000	Supported Borrowing £'000	Grants £'000	Revenue and Reserves £'000	Capital Receipts £'000	Section 106 developers' contributions £'000	Total £'000
9,167	7,556	52,516	4,864	12,388	1,334	87,825

A tactical decision was taken to finance less of the capital programme from external borrowing and more from uncommitted capital receipts and reserves. This has reduced both council borrowings and council cash balances. In the current environment of 4-5% interest on borrowing to fund capital, and 0.5-1% interest earned on cash balances, it makes sense to avoid borrowing and run cash down. The Council has a 10 year Asset Management Plan that sets out its investment plans and the funding of those plans for a rolling 10-year period. No material liabilities were incurred during the year.

The Council's level of borrowing remains relatively low in comparison to the value of its assets (£104m compared to £826m).

7. Pension liabilities

The Council has a net liability of £172.2m for future pension costs. This is because, under IFRS standards similar to FRS17, the Council must account for pensions for former members of staff and their families when the commitment is made (i.e. when the individual retires), not when the pension is paid. The net liability is £57.8m less than a year ago. This is partly due to improved investment returns and partly to a non recurring gain of £37.2m affecting the Council's LGPS pensions' liabilities arising from the Government changing the basis of indexing from RPI to CPI and other changes to actuarial assumptions.

8. Capital investment strategy and treasury management activities

Investments at 31 March 2011 were as shown in the following table. £36.3m (62.3%) of these investments were managed by South Gloucestershire Council, and £22m (37.7%) were managed by the external fund manager.

	£m	%
- UK Gilts	0	0
- UK Banks	29.2	50.0
- UK Building Societies	4.5	7.7
Total UK institutions	33.7	57.7
Money Market Funds	22.1	38.0
- European banks	0	0
- non European Banks	2.5	4.3
Total non UK institutions	2.5	4.3
Grand total investments at 31 March 2011	58.3	100.0

No new long-term borrowing has been taken out in the year, which continues the policy of reducing cash balances by using internal cash resources to fund capital expenditure rather than taking out new borrowing. This kept borrowing costs down and reduced the amount of cash for which suitable counterparties had to be found for investments. Towards the end of the year, temporary borrowing was taken out from time to time for cash flow purposes, at interest rates at or below 1% and for short periods of time only, as temporary borrowing was not expected to be necessary for at least the first half of 2011/12.

The Council's borrowing sources at 31 March 2011 were as follows:

	£m	%
Public Works Loan Board	87.4	76.9
Market borrowing – long term	16.2	14.3
Market borrowing – temporary (repaid April 2011)	10.0	8.8
Total	113.6	100.0

9. Impact of economic climate

Despite the economic downturn, the South Gloucestershire area has maintained one of the highest levels of general employment amongst unitary and county authorities in England. 79.9% of the working age population of the area are in employment. This has helped limit the impact of the recession on the demand for Council services compared with other areas. Nevertheless the Council has faced increases in the net costs of providing Housing and Council Tax Benefits, increases in demand for home care, decreases in income from planning fees and from land charges, and reduced interest earned on its temporary investments.

10. Looking forward to the next few years

The Council has agreed a balanced budget for 2011/12, together with a nil increase in the level of council tax. The plans for subsequent years through to 2020/21 are based on a planning assumption of a 2% p.a. increase in council tax and take into account the Government's planned reductions in public expenditure over the period 2011 to 2015. To achieve this, the Council has identified efficiency savings of 3-5% p.a. to 2014/15 and will need to identify further efficiency savings of 2% p.a. thereafter. The Council has also agreed a 10-year medium term financial strategy. The Council will keep these plans under review particularly when the Government concludes its current review of Local Government funding arrangements and in the light of the changed system which could be in place from 2013/14.

Dave Perry CPFA
Director of Corporate Resources and Deputy Chief Executive
Section 151 Officer
29 June 2011

Statement of Accounting Policies

This section lists the accounting policies that have been followed in preparing the Statement of Accounts and any departure from recommended practice, if applicable.

1. General Principles

The Statement of Accounts summarises the Council's transactions for the 2010/11 financial year and its position at 31 March 2011. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2011, which require it to be prepared in accordance with proper accounting practices. These practices primarily comprise the *Code of Practice on Local Authority Accounting in the United Kingdom 2010/11* and the *Best Value Accounting Code of Practice 2010/11*, supported by the International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

The accounting convention adopted in the Statement of Accounts is historical cost, modified by the revaluation of certain categories of non-current assets and financial statements.

In accordance with best practice, accounting policies are reviewed every year by the Chief Financial Officer.

2. Accruals of Income and Expenditure

Activity is accounted for in the year in which it takes place, not simply when cash payments are made or cash income is received. In particular:

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Supplies are recorded as expenditure when they are consumed. Where there is a gap between the date supplies are received and their consumption, they are carried as stocks in the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when the payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge is made to revenue for the income that might not be collected.

3. Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments with financial institutions maturing in two months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement and Balance Sheet, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

4. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e., in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policy are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transitions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

5. Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding fixed assets during the year:

- depreciation attributable to the assets used by the relevant service
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off
- amortisation of intangible fixed assets attributable to the service

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisations are, therefore, replaced by the contribution in the General Fund balance [MRP] by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

6. Employee Benefits

Benefits payable during employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave, paid sick leave and non monetary benefits for current employees and are recognised as an expense for services in the year in which the employees render services to the Council. The accrual is for accumulating compensating absences i.e. holiday pay entitlements earned by employees but not taken and carried forward by the employees into the next financial year. The accrual is made at the salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accrual basis to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement when the Council is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement of Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts that are payable but remain unpaid at the year-end.

Post Employment Benefits

Employees of the Council are members of two separate pension schemes:

- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE)
- The Local Government Pension Scheme, administered by Bath and North East Somerset Council

Both schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council. However, the arrangements for the teachers' scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the Council. The scheme is therefore accounted for as if it were a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Children and Education Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to the Teachers' Pensions in the year.

The Local Government Pensions Scheme

The Local Government Scheme is accounted for as a defined benefits scheme:

- The liabilities of the Avon Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method, (i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and forecasts of projected earnings for current employees).
- Liabilities are discounted to their value at current prices, using a discount rate of 5.5% (based on the indicative rate of return on high quality corporate bond).
- The assets of the Avon Pension Fund attributable to the Council are included in the Balance Sheet at fair value:
 - o Quoted securities – current bid price
 - o Unquoted securities – professional estimate
 - o Unlisted securities – current bid price
 - o Property – market value
- The change in the net pensions liability is analysed into its seven components:
 - o Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.

- Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
- Interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- Expected return on assets – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return – credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- Gains or losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
- Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve.
- Contributions paid to the Avon Pension Fund – cash paid as employer’s contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts that are payable but remain unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

The Council has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

7. Financial Instruments

Financial liabilities

Financial liabilities are recognised in the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund balance to be spread over future years. For major debt restructuring exercises the Council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. For interim early repayments of borrowing, premiums and discounts are spread over the lesser of ten years or the remaining life of the original loan. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement of Reserves Statement.

Financial Assets

Financial assets are classified into two types:

- loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market
- fair value through the income and expenditure account – the portfolio of financial assets managed together by the external fund manager where part of the portfolio is being held for trading

Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Fair Value through the Income and Expenditure Account

Financial instruments held for trading should be classified as at fair value through the income and expenditure account. The assets managed for the Council by its external fund manager are defined as "held for trading" because they are a portfolio of identified financial instruments managed together, for which there is a recent pattern of short term profit-taking.

Under this category, financial assets are maintained in the Balance Sheet at fair value. In the case of the externally managed fund, this is the quoted bid price. Gains and losses arising from movements in the fair value recorded in the Balance Sheet, are shown in the Comprehensive Income and Expenditure Statement.

Instruments Entered into Before April 2006

The Council entered into a small number of guarantees before this date and these are not required to be accounted for as financial instruments. These guarantees are reflected in the Accounts to the extent that a provision may be required or a contingent liability note needed under the policies in Note 17 below.

8. Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- the Council will comply with the conditions attached to the payments, and
- the grants or contributions will be received

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant and contribution have been satisfied or there is a strong expectation that they will be satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embedded in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of General Fund balance in the Movement of Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

Area Based Grant

Area Based Grant (ABG) is a general grant allocated by central government directly to local authorities as additional revenue funding. ABG is not ring-fenced and is credited to Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement.

9. Intangible Assets

Expenditure on non-monetary assets that do not have physical substance (eg. software licences) but are controlled by the Council is capitalised when it is expected future economic benefits or service potential will flow from the intangible asset.

Intangible assets are measured initially at cost. Since the fair value of these assets cannot be determined by reference to an active market, they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line in the Comprehensive Income and Expenditure statement.

10. Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund balance via the Movement in Reserves statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service account. The charge to net cost of services is balanced out by an appropriation from the Movement in Reserves statement.

Certain unusable reserves are kept to manage the accounting processes for non-current assets, financial instruments and retirement benefits and they do not represent usable resources for the Council. These reserves are explained in the relevant policies below.

11. Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. Investment properties are measured initially at cost and subsequently at fair value. Such properties are not depreciated but are reviewed annually according to market conditions at the year end. Gains and losses on revaluation are posted to the Comprehensive Income and Expenditure account as are rentals received. However revaluation and disposal gains are not permitted by statutory arrangements to have an impact on the General Fund balance.

12. Overheads and Support Services

The costs of overheads and support services are charged to the relevant services in accordance with the CIPFA Service Reporting Code of Practice. The full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of :

- Corporate & Democratic core – costs relating to the Council's status as a multi functional, democratic organisation.
- Non distributable costs – the cost of discretionary pensions benefits and impairment losses on Assets held for sale.

13. Property, Plant and Equipment

Assets that have physical substance and are held for use in the provision of services or for administrative purposes and are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition: expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals basis, provided it is probable that the future economic benefits or service potential associated with the item will flow to the authority. Expenditure which maintains but does not add to an asset's potential to deliver service potential is charged as an expense when it is incurred.

Measurement: assets are initially measured at cost. This comprises the purchase price and any costs attributable to bringing the asset to an operational condition. The authority does not capitalise borrowing costs incurred whilst assets are under construction. The cost of assets acquired other than by purchase is deemed to be its fair value. Any donated assets are measured initially at fair value. Assets are then carried in the Balance Sheet using the following measurement bases:

- Infrastructure, community assets and assets under construction – depreciated historic cost;
- All other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value). The Council has no dwelling assets.

Where there is no market- based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost is used as an estimate of fair value.

Where non- property assets that have short useful lives or low values (or both) for example, vehicles, depreciated replacement cost is used as an estimate of fair value.

Assets included in the Balance Sheet at fair value are revalued where there have been material changes in the value and, as a minimum, every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Income and Expenditure Account where they arise from the reversal of an impairment loss previously charged to a service revenue account. Where decreases in value are identified, they are accounted for by :

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains);
- Where there is no or an insufficient balance in the Revaluation Reserve, the carrying amount of the asset is written down against the relevant service line in the Comprehensive Income and Expenditure account.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment: Assets are assessed at each year end as to whether there is any indication that an asset may be impaired. Where impairment is identified and the difference is estimated to be material, the recoverable amount of the asset is estimated and an impairment loss is recognised. This is accounted for as follows:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance;
- Where there is no or an insufficient balance in the Revaluation Reserve, the carrying amount of the asset is written down against the relevant service lines in the Comprehensive Income and Expenditure statement.

Disposals: when an asset is disposed of or is decommissioned, the value of the asset in the Balance Sheet is written off to the Income and Expenditure Account and is netted off by receipts from disposals as part of the gain or loss on disposal. Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts in excess of £10,000 are categorised as capital receipts. Capital receipts are credited to the Usable Capital Receipts Reserve and can only be used for new capital investment. Receipts are appropriated to the Reserve from the Statement of Movement on the General Fund balance.

The written off value of disposals is not a charge against Council Tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund balance in the Movement in Reserves statement.

Depreciation: depreciation is provided for on property, plant and equipment assets over their useful life. An exception is made for assets without a finite useful life (i.e. freehold land and certain community assets) and assets which are under construction and not available for use. Depreciation is also applied to those assets that are the subject of finance leases and the PFI Waste contract.

Depreciation is calculated on the following bases:

dwellings and other buildings – on a straight line basis over the life of the property as estimated by the valuer.

vehicles, plant and equipment – on a straight line method over the life of the asset, as advised by a suitably qualified officer.

infrastructure (such as roads) - not depreciated. It forms a network that is intended to be maintained at a specified level of service potential by the continuing replacement and refurbishment of its components.

Where an asset is material and has major components whose cost is significant to the total cost of the item and have markedly different useful lives, the components are depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

14. Leases

Leases are classified as finance leases where their terms transfer substantially all the risks and rewards of ownership of the asset from the lessor to the lessee. All other leases are classified as operating leases. Where a lease covers both land and buildings, the land and buildings elements are considered separately.

The authority as lessee:

Property, plant and equipment held under finance leases is recognised on the Balance Sheet. Lease payments are apportioned between a charge for the interest in the asset – applied to write down the lease liability, and a finance charge (debited to the Financing and Investment Income and Expenditure line).

Operating leases – Rentals paid under operating leases are charged to the Comprehensive Income & Expenditure statement as an expense to the relevant service. Charges are made on a straight line basis over the life of the lease.

The authority as lessor:

Where the Council grants an operating lease over an asset, this is retained on the Balance Sheet. Rental income is credited to the Comprehensive Income and Expenditure statement.

15. Inventories

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The authority has no material work in progress.

16. Private Finance Initiative (PFI)

PFI contracts are agreements to receive services, where the responsibility for making available the assets needed to provide the services passes to the PFI contractor. Under the 2009 SORP, the Council is deemed to control the services provided under its PFI scheme and, as ownership of the assets will pass to the Council at the end of the contract, the Council carries the relevant long term assets in its Balance Sheet.

The original recognition of the fixed assets used in the PFI contract was balanced by the recognition of amounts due to the scheme operator to pay for the assets.

Non- current assets recognised on the Balance Sheet are revalued and depreciated in the same way as property or equipment owned by the Council.

The amounts paid to the PFI operator each year are analysed into five elements:

1. Fair value of services received: debited to the relevant service in the Income and Expenditure account
2. Finance cost: an interest charge of 3.5% on the outstanding liability is debited to interest payable in the Income and Expenditure Account
3. Contingent rent: this represents increases in the amount to be paid for the property arising during the contract, debited to interest payable in the Income and Expenditure Account
4. Payment towards liability: this is applied to write down the Balance Sheet liability towards the PFI operator
5. Life cycle replacement costs: these are recognised as fixed assets on the Balance Sheet

A government grant is received in respect of the PFI scheme, and this is credited to the Waste service.

17. Provisions, Contingent Liabilities & Contingent Assets

Provisions are made where an event has taken place that gives the authority a legal or constructive obligation likely to require settlement by a transfer of economic benefit or service potential and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the appropriate service in the Comprehensive Income and Expenditure statement. When payments are eventually made, they are charged to the provision in the Balance Sheet.

Landfill Allowance schemes – landfill allowances are recognised as current assets and are initially measured at fair value. Landfill allowances allocated by DEFRA are accounted for as a government grant. As landfill is used, a liability and an expense are recognised.

Contingent Liabilities – A contingent liability arises where an event has taken place which gives the Council a possible obligation whose existence will only be confirmed by the outcome or otherwise of uncertain future events not wholly within the authority's control. Contingent liabilities also arise in circumstances where a provision could be made, but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent Assets – These arise where an event has taken place that gives the authority a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events. Contingent assets are not included in the Balance Sheet but are disclosed in a note to the accounts, and are only shown when it is probable there will be an inflow of economic benefits.

18. Council Tax and Non Domestic Rates (NNDR)

The 2009 SORP made significant changes to the accounting for Council Tax and Business Rates income and balances. From 1 April 2009 the Council Tax income included in the Income and Expenditure Account is the accrued income for the year. As a billing authority, the difference between the income included in the Income and Expenditure Account by South Gloucestershire Council and the amount required by regulation to be credited to the General Fund is taken to a new Collection Fund Adjustment Account and becomes a reconciling item in the Statement of Movement on the General Fund balance.

Moreover, the Collection Fund is in substance an agency agreement, so that the outstanding debtor, cash collected and impairment provision is divided between the Council and its two major precepting bodies.

The SORP confirms that the collection of Business Rates is carried out as an agency activity on behalf of Central Government and should be accounted for accordingly. As a result, the outstanding debtor, prepayment and amount due from the Government in respect of overpayments to the NNDR Pool is summarised into a Government creditor or debtor balance.

19. Value Added Tax (VAT)

VAT is only included in the income and expenditure accounts, whether of a revenue or capital nature, only to the extent that it is irrecoverable.

Statement of Responsibilities

This section outlines the Council's responsibility for the Authority's financial affairs and the Chief Financial Officer's responsibility for reporting accurately the financial position of the Authority.

The Council's Responsibilities

The Council is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In South Gloucestershire Council, that officer is the Director of Corporate Resources who undertakes the role of the Chief Financial Officer;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- approve the Statement of Accounts.

The Chief Financial Officer's Responsibilities

The Chief Financial Officer is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA (Chartered Institute of Public Finance and Accountancy)/LASAAC (Local Authority Accounts Advisory Committee) Code of Practice on Local Authority Accounting in the United Kingdom.

In preparing the Statement of Accounts the Chief Financial Officer has:

- selected suitable accounting policies and applied them consistently;
- made reasonable and prudent judgements and estimates;
- complied with the Code of Practice

The Chief Financial Officer has also:

- kept proper and up-to-date accounting records;
- taken reasonable steps to prevent and detect fraud and other irregularities.

Certification of the Accounts by the Chief Financial Officer

In accordance with section 10(2) of the Accounts and Audit Regulations 2011, I certify that the Statement of Accounts for 2010/11 presents a true and fair view of the financial position of South Gloucestershire Council at 31st March 2011 and its income and expenditure for the financial year 2010/11.

**Dave Perry CPFA
Director of Corporate Resources and Deputy Chief Executive
Section 151 Officer
29 June 2011**

The Accounting Statements

Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded by taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

2009/10				2010/11			Notes
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure	
£'000	£'000	£'000		£'000	£'000	£'000	
18,908	14,678	4,230	Central Services to the public	29,281	25,445	3,836	
48,706	12,583	36,123	Cultural, environmental, regulatory and planning services	53,380	10,624	42,756	
258,554	214,096	44,458	Education and Children's services	279,480	226,085	53,395	
52,346	32,334	20,012	Highways and Transport services	68,799	50,614	18,185	
64,689	59,940	4,749	Housing services	50,709	44,079	6,630	
133,641	50,786	82,855	Adult Social Care	104,730	34,389	70,341	
29,219	11,874	17,345	Corporate & Democratic Core	34,599	29,307	5,292	
4,437	0	4,438	Non distributed costs	5,379		5,379	
610,831	396,517	214,209	Cost of Services	627,357	420,543	206,814	
37,220	0	37,220	Other Operating Expenditure	10,642		10,642	6
7,540	3,014	4,526	Interest Payable & Receivable	6,926	1,316	5,610	
13,853		13,853	Pensions Interest & Return on Assets	9,449		9,449	
0			Pensions – Past Service Gains		37,190	(37,190)	5
13	239	(226)	Investment Properties	12	258	(246)	
21,406	3,253	18,153	Financing & Investment	16,387	38,764	(22,377)	
	237,881	(237,881)	Council Tax Income		117,653	(117,653)	
	53,084	(53,084)	NNDR Pool		53,084	(53,084)	
	54,077	(54,077)	Capital Grants & Contributions		51,965	(51,965)	
	868	(868)	Collection Fund		477	(477)	
	21,574	(21,574)	RSG & Other Grants		22,930	(22,930)	
		(237,811)	Taxation & Grant Income		246,110	(246,109)	8
		31,701	(Surplus)/ Deficit on Provision of Services	654,386	705,416	(51,030)	
	25,725	(25,725)	(Gain) Revaluation of Assets				
		61,206	Actuarial losses on pension liabilities		28,537	(28,537)	
		35,481	Other Comprehensive Income and Expenditure		28,537	(15,737)	
		67,182	Total Comprehensive Income and Expenditure	654,386	733,953	79,567	

Balance Sheet

The Balance Sheet shows the value of the authority's assets and liabilities at 31 March. The net assets of the authority (i.e. assets less liabilities) are matched by reserves. Reserves are reported in two categories. Usable reserves that the authority may use in the provision of services (subject to the need to maintain a prudent level of reserves and statutory limitations to use). Unusable reserves that hold unrealised gains and losses that become available only when assets are sold and timing differences shown in the Movement in Reserves Statement line "Adjustments between accounting basis and funding basis under regulations".

1 April 2009	31 March 2010		31 March 2011	Notes
£'000	£'000		£'000	
714,529	750,199	Property, Plant and Equipment	809,606	21
4,314	4,314	Investment Property	3,861	22
1,814	3,058	Intangible Assets	3,084	24
199	0	Assets Held for Sale	0	
17,665	7,000	Long Term Investments	7,000	
2,212	2,271	Long Term Debtors	2,846	
740,733	766,842	Long Term Assets	826,397	
106,265	52,140	Short Term Investments	44,340	
555	533	Inventories	445	26
25,247	31,951	Short Term Debtors	32,267	28
3,901	4,968	Cash and Cash Equivalents	2,980	27
135,968	89,592	Current Assets	80,032	
(1,291)	(1,087)	Short Term Borrowing	(11,085)	41
(7,992)	(9,734)	Current Provisions	(8,748)	30
(52,689)	(44,008)	Short Term Creditors	(49,392)	29
(61,972)	(54,829)	Current Liabilities	(69,225)	
(5,559)	(6,805)	Provisions	(6,881)	30
(117,092)	(103,644)	Long Term Borrowing	(103,610)	41
(186,023)	(252,498)	Other Long Term Liabilities	(192,045)	35, 36
(308,674)	(362,947)	Long Term Liabilities	(302,536)	
506,055	438,658	Net Assets	534,668	
116,486	95,002	Usable Reserves	82,146	18
389,569	343,656	Unusable Reserves	452,522	
506,055	438,658	Total Reserves	534,668	

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the authority, analysed into "usable reserves" (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or Deficit on the Provision of Services line shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting purposes. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves are undertaken by the Council.

	General Fund Balance £'000	Earmarked general Fund Reserves £'000	Capital Receipts Reserve £'000	Capital Grants and Contributions Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Authority Reserves £'000
Balance at 31 March 2009	9,011	41,207	38,154	28,982	117,354	389,569	506,847
<u>Movement in reserves in 2009/10</u>							
Deficit on the provision of services	(31,389)	0	0	0	(31,389)	0	(31,389)
Other comprehensive income and expenditure		0	0	0		(35,481)	(35,481)
Total comprehensive income and expenditure	(31,389)	0	0	0	(31,389)	(35,481)	(66,870)
Adjustments between accounting basis and funding basis under regulations (Note 10)	34,305	0	(28,511)	3,243	9,037	(10,281)	(1,244)
Net increase/decrease before transfers to Earmarked Reserves	2,916	0	(28,511)	3,243	22,352	(45,762)	(68,114)
Transfers to/from Earmarked Reserves (Note 18)	(2,692)	350	2,342	0	0	0	0
Increase/Decrease in 2009/10	224	350	(26,169)	3,220	(22,352)	(45,762)	(68,114)
Balance at 31 March 2010 c/fwd	9,235	41,557	11,985	32,225	95,002	343,656	438,658
<u>Movement in reserves in 2010/11</u>							
Gain on the provision of services	51,030				63,830		
Other comprehensive income and expenditure	28,537				15,740		
Total comprehensive income and expenditure	79,567				79,570		79,570
Adjustments between accounting basis and funding basis under regulations (Note 10)	(73,584)		(12,338)	(6,501)	(92,426)	108,866	16,440
Net increase/decrease before transfers to Earmarked Reserves	5,983		(12,338)	(6,501)	(12,856)	108,866	96,010
Transfers to/from Earmarked Reserves (Note 18)	-5,979	4,409	1,570		0		0
Increase/Decrease in 2010/11	4	4,409	(10,768)	(6,501)	(12,856)	108,866	96,010
Balance at 31 March 2011 c/fwd	9,239	45,966	1,217	25,724	82,146	452,522	534,668

Cash Flow Statement

The Cash Flow Statement shows how the authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the authority are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash flows have been made for resources which are intended to contribute to the authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the authority.

2009/10 £'000		2010/11 £'000	Notes
(31,701)	Net Surplus / (deficit) on the provision of services	51,030	
609,930	Adjustments to the net surplus or deficit on the provision of services for non cash movements	144,363	
(539,074)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(168,555)	
39,155	Net cash flows from Operating Activities	26,838	
(17,194)	Investing Activities	(38,215)	47
(20,894)	Financing Activities	9,389	48
1,067	Net increase or decrease in cash and cash equivalents	(1,988)	
3,901	Cash and cash equivalents at the beginning of the reporting period	4,968	
4,968	Cash and cash equivalents at the end of the reporting period	2,980	
1,067	Increase in Cash and Cash Equivalents (Note 27)	(1,988)	

Notes to the Accounting Statements

1. Transition to IFRS

The Council's Accounts for 2010-11 is the first to be prepared on an IFRS basis. Adoption of the IFRS – based code has resulted in the restatement of various balances and transactions, with the result that some amounts presented in the financial statements differ from the equivalent figures in the 2009-10 Accounts.

The following paragraphs explain the material differences between the 2009-10 statements and the equivalent figures presented in the 2010-11 Accounts.

- **Short Term Accumulating Compensated Absences**

These refer to benefits which employees gain entitlement to which is built up as they provide services to the Council. The most significant benefit under this heading is holiday pay.

Under the IFRS based Code, the Council is required to accrue for any annual leave earned but not taken at 31st March each year. Whereas there was no such accrual needed in previous years. The effect is most material in accruing for teachers' holidays where a number of holiday days due are earned during the winter term but taken during April i.e. in the following financial year.

The Government has issued regulations which mean local authorities are only required to fund holiday pay and similar benefits when they are used, rather than when employees earn the benefits. Amounts are transferred to the Accumulating Absences Account until the benefits are used.

Impact of Re-statement for accrued holiday pay – at 31 March 2010	£'000
Additional Holiday Pay provision	6,568
Accumulated Absences Reserve	(6,568)
Charge to CYP and other Services	6,568
Reversed via Movement in Reserves Statement	(6,568)

- **Leases**

Under the IFRS Code leases of property are accounted for as separate leases of land and buildings. Previously each property lease was accounted for as a single lease. This change in accounting treatment can result in the land or building lease being accounted for as an operating lease where it was previously a finance lease, or vice versa.

The Government has issued regulations regarding accounting for leases. Under these arrangements a number of leases which had been deemed operating leases, were re- classified as finance leases and therefore are included in the Council's re-stated Balance Sheet. This added £2.33 million (£1.2 m for school leases £1.048 m for vehicles) was added to the net value of assets. The charge to the General Fund (where the Council is the lessee) will be unchanged.

- **Government Grants Funding Capital**

In accordance with the new Code, grants and contributions for capital schemes are recognised as income when they become receivable. Previously such grants were held in a grants deferred account and recognised as income over the life of the assets which they funded.

As a consequence of adopting the accounting policy required by the Code, the financial statements have been amended as follows:

- The balance on the Government Grants Deferred account as at 31 March 2009 was moved to the Capital Adjustment account in the opening 2009-10 balance sheet.
- In addition capital grants and developers contributions which were previously held as a long term liability, where there was no significant unmet conditions then the balance was transferred to capital reserves within Net Worth. These IFRS changes therefore increased the Council's reported net worth.

In keeping with the new Code, the Council undertook a review of s.106 and other contributions held on the Balance Sheet. Whilst the use of these sums is often restricted to a particular purpose or location, in virtually all cases the expectation is that the Council will meet any grant conditions. As a result these sums have been moved to a capital reserve within Net Worth.

Extract from Income and Expenditure Account	2009/10 before adjustment	2009/10 Under IFRS	Value of the adjustment
	£'000	£'000	£'000
Long Term Liabilities – Govt. Grants Deferred	(104,332)	-	104,332
- Deferred Credits for Capital grants & contributions	(25,853)	-	25,853
Net Worth			
Capital Adjustment Account	(324,567)	(428,889)	104,332
Earmarked Capital Reserves	(6,373)	(32,226)	25,853

2. Accounting Standards Issued But Not Yet Adopted

The Code of Practice on Local Authority Accounting 2011-12 (the Code) has introduced a change in accounting policy relating to the treatment of heritage assets held by authorities. This will need to be adopted fully by the authority in the 2011-12 financial statements. The authority is required to disclose information on the impact on the accounts as a result of the adoption in the Code of a new standard that has been issued, in this case for heritage assets. Whilst full adoption will be required for the 2011-12 accounts the authority is required to disclose the estimated effect in these financial statements.

Heritage assets are assets those that are held principally for their contribution to knowledge or culture. This definition is aimed to include museum artefacts and art collections.

The Council has does not own any significant museum or art collections. Whilst the Kingswood Museum occupies a council owned site, the museums collections are not held by the Council. None of the buildings or collections held by the other museums within South Gloucestershire are owned by the Council. Thus the effect of the new Code's treatment of heritage assets on the Council's accounts will be negligible.

3. Critical Estimates and Judgements Applied

In applying the accounting policies, the authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The judgements made which have the most significant effect on the amounts recognised in the financial statements are:

- i) Uncertainty about the impact of future levels of funding for the authority and the wider public sector. The authority has agreed a budget for 2011-12 and a Medium Term Financial plan which allows for reduced levels of government funding. However the medium term budgets involve forecasts about future funding levels and also the Council's ability to make savings whilst maintaining key services.
- ii) The Waste Services contract is accounted for as a PFI contract under IFRIC 12. This means the assets involved in the service are included on the Council's Balance Sheet and are depreciated in the same way as other non-current assets. Moreover the payment to the contractor is divided up into a service element, financing costs and repayment of the lease liability.

4. Assumptions About the Future and Major Sources of Estimation Uncertainty

The Accounts contain estimated figures that are based on assumptions made by the authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However as balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Balance Sheet at 31 March 2011 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant & Equipment	Assets are depreciated over useful lives which are dependent on assumptions about the level of repairs and maintenance incurred on individual assets. The current economic climate makes it uncertain the authority will be able to sustain its current spend on repairs and maintenance, which may affect the useful lives assigned to assets.	<p>If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.</p> <p>It is estimated that the depreciation charge for buildings, plant and equipment would increase by £1.1 million for every year that useful lives were reduced.</p>
Pensions Liability	Estimating the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages and mortality rates and the expected return on pension fund assets. The Council engages actuaries to provide expert advice on the assumptions to be applied.	<p>The effects of changes in specific assumptions on the pensions liability can be measured. For instance a 0.5% increase in the discount rate assumption would resulting a decrease in the pension liability of £50 m.</p> <p>However the assumptions interact in complex ways. During 2010-11 the actuaries advised that the pensions liability had decreased by £28 million as a result of past estimates being amended.</p>

5. Material Items of Income & Expenditure

In the budget statement of June 2010 the Chancellor announced that with effect from 1st April 2011 public service pensions would be up- rated in line with the Consumer Prices Index (CPI) rather than the RPI. This change has a substantial impact on the Council's local government pensions liability.

The figures calculated by the actuary allow for changes to the benefits of the LGPS, and the resulting reduction in future pension liability is treated as a negative past service cost which is included in the Income and Expenditure account. The effect is a £37.19 million credit to the Financing and Investment section of the Income and Expenditure account.

6. Other Operating Expenditure

	2009-10	2010-11
	£'000	£'000
Parish Precepts	4,876	4,934
Levies	442	468
Coroners Court	590	478
Payments to Housing Receipts Pool	40	29
Loss on Disposal of Non-current Assets	31,272	4,733
Total	37,220	10,642

7. Financing and Investment Income & Expenditure

	2009-10	2010-11
	£'000	£'000
Interest payable	6,602	6,025
Avon Debt interest	938	901
Interest receivable	(3,014)	(1,316)
Pensions Interest Cost & Expected return on Assets	14,006	9,449
Pensions Past Service Gain		(37,190)
Income from Investment Properties	(226)	(246)
Total	18,153	(22,377)

8. Taxation and Non- Specific Grant Income

Income from taxation, non- specific grants and capital grants credited to the Comprehensive Income & Expenditure accounts was:

	2009-10	2010-11
	£'000	£'000
Council Tax Income	113,673	117,653
Collection Fund	868	477
NNDR Pool	47,689	53,084
Non- Ringfenced Revenue Grants	21,574	22,930
Capital grants	52,106	49,099
Section 106 Contributions	1,971	2,866
Total	237,881	246,109

In 2010-11 the Council received £13.409 M of Area Based Grant and £1.813 M of LAA Reward grant. The latter was transferred to an earmarked reserve pending its use in 2011-12 and future years.

9. Grant Income

The Authority credited the following specific grants and contributions to services within the Comprehensive Income and Expenditure Statement:

	2009/10 £'000	2010/11 £'000
Children and Young People		
Dedicated Schools Grant (DSG)	138,762	141,295
Contact Point	671	
School Standards Grant (including Personalisation)	7,262	7,392
Standards Fund	11,643	13,500
Sure Start, Early Years and Childcare Grant	4,730	6,282
Sixth forms funding from Learning and Skills Council (LSC)	11,436	11,519
Diploma Funding		1,477
16-18 Learner Responsive		4,882
Entry to Employment		409
Think Family Grant		353
YOT Grant		402
Other Grants (below £250,000)	2,046	1,252
Total	176,550	188,763
Chief Executive and Corporate Resources		
Housing Benefit and Council Tax Benefit Administration	1,617	1,819
Council Tax Benefit Subsidy	12,690	13,354
Mandatory Rent Allowances Subsidy	45,415	47,746
Mandatory Rent Rebates outside HRA Subsidy	453	525
Other Grants (below £250,000)	140	102
Total	60,315	63,546
Community Care and Housing		
Social Care Reform	927	725
Supporting People Grant – Housing	4,005	0
Stroke Grant		206
Other Grants (below £250,000)	881	114
Total	5,813	1,045
Community Services		
Diploma Specific Formula Grant	1,210	
The Private Finance Initiative (PFI)	3,052	3,052
Adult and Community Learning from LSC	380	
Local Area Agreements (LAA) Reward Grant	554	
Emergency Winter Repairs Grant		403
Other Grants (below £250,000)	444	724
Total	5,640	4,179
Planning, Transport and Strategic Environment		
Concessionary Fares	633	260
Cycle England	489	355
Other Grants (below £250,000)	380	241
Total	1,502	856
TOTAL Grants credited to Services	249,820	258,389

10. Adjustments between Accounting Basis and Funding Basis Under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the authority in accordance with proper accounting practice, to the resources that are determined by statutory provision as being available to the authority.

Usable Reserves 2010 -11

	General Fund Balance £'000	Earmarked GF Reserves	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Movement in Unusable Reserves £'000
Adjustments primarily involving the CAA account					
Charges for depreciation and impairment	18,798				18,798
Revaluation losses on property, plant & equipment	12,800				12,800
Amortisation of intangible assets	879				879
Capital grants & contributions applied				(52,516)	52,516
Revenue expenditure funded from capital under statute	8,953				8,953
Non- current assets written off as part of gain/ loss on disposal	4,733				4,733
Insertion of items not debited / credited to the CIES					
Statutory provision for the financing of capital (MRP)	(7,110)				7,110
Capital expenditure charged to the General Fund	(1,413)				1,413
Adjustments primarily involving the Capital Grants Unapplied account					
Capital grants and contributions credited to the CIES	(51,965)			51,965	0
Application of Capital Grants				(4,784)	4,784
Application of grants to capital financing transferred to the CAA				(52,516)	

	General Fund Balance £'000	Earmarked General fund Reserves	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Movement in Unusable Reserves £'000
Adjustments primarily involving the Capital Receipts Reserve					
Use of the Capital Receipts reserve to fund capital expenditure			(12,388)		12,388
Transfer of Sales proceeds from Gain/ Loss on Disposal	(56)	56			0
Fund payments to Housing receipts pool	29		(29)		
Adjustments involving the Financial Instruments Adjustment account					
Amount by which the finance costs charged to CIES differ from those chargeable in accordance with statutory requirements	(573)				573
Adjustments Involving the Pensions Reserve					
Reversal of retirement benefits charges debited to the CIES. Add back employers pension contributions.	(57,818)		+		57,818
Adjustments Involving the Collection fund Adjustment account					
Amount by which Council tax income credited to the CIES is different from that calculated in accordance with statute	385				385
Adjustments Involving the Accumulated Absences Account					
Amount by with officers pay charged on an accruals basis is different from pay charged in year.	(1,341)				1,341
Other Adjustments					
Repayment of Avon debts charged to the CAA account					879
Other Transfers within Net Worth				(1,166)	1,166
Depreciation of non- current assets revaluation gains					(1,542)
Adjustments Accounting basis vs. funding Basis	(73,587)	0	(12,361)	(6,501)	108,864
Transfers to/ from Reserves	(5,889)	4,409	1,570		
Increase / Decrease in Year	4	4,409	(10,791)	(6,501)	108,864

Usable Reserves 2009-10 Comparative Figures

	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Movement in Unusable Reserves £'000
Adjustments primarily involving the CAA account				
Charges for depreciation and impairment	51,526			(51,126)
Revaluation losses on property, plant & equipment				
Amortisation of intangible assets	530			(530)
Capital grants & contributions applied			(4,139)	4,139
Revenue expenditure funded from capital under statute	5,481			(5,481)
Non- current assets written off as part of gain/ loss on disposal	31,272	955		(32,227)
Insertion of items not debited / credited to the CIES				
Statutory provision for the financing of capital (MRP)	(6,308)			6,308
Capital expenditure charged to the General Fund	(1,266)			1,266
Adjustments primarily involving the capital Grants Unapplied account				
Capital grants and contributions credited to the CIES	(54,077)			
Application of grants to capital financing transferred to the CAA			(46,718)	46,718

	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Movement in Unusable Reserves £'000
Adjustments primarily involving the Capital Receipts Reserve				
Use of the Capital Receipts reserve to fund capital expenditure		(29,426)		29,426
From Capital Receipts Reserve – fund payments to Housing receipts pool	40	(40)		
Adjustments involving the Financial Instruments Adjustment account				
Amount by which the finance costs charged to CIES differ from those chargeable in accordance with statutory requirements	(628)			781
Adjustments Involving the Pensions Reserve				
Reversal of retirement benefits charges debited to the CIES. Add back employers pension contributions.	7,260			(7,260)
Adjustments Involving the Collection fund Adjustment account				
Amount by which Council tax income credited to the CIES is different from that calculated in accordance with statute	(512)			512
Adjustments Involving the Accumulated Absences Account				
Amount by which officers pay charged on an accruals basis is different from remuneration charged in accordance with statutory requirements.	1,299			(1,299)
Other Adjustments				
Repayment of Avon debts charged to the CAA account				938
Depreciation of non- current assets revaluation gains	(312)			312

11. Members Allowances

The Council is required by the Accounts and Audit Regulations to disclose annually the amounts paid to each elected Councillor (Member) under its scheme of Members' Allowances. A revised scheme of allowances was introduced in May 2003. There are two types of allowance:

- Basic Allowance – payable to all Councillors.
- Special Responsibility Allowances – to reflect significant additional responsibilities

In addition, carer's allowances, travelling, subsistence and other expenses are paid. Detailed information on the allowances received by each individual Member can be found on the Council's website (www.southglos.gov.uk) under "Members Allowances and Expenses 2010/11".

		2010/11
£'000		£'000
761	Basic Allowance	756
278	Special Responsibility Allowance	277
24	Expenses	26
1,063	Total	1,059

12. Officers' Remuneration

The Council is required by the Accounts and Audit Regulations to disclose the remuneration of Chief Officers and other Statutory Officers. Any officer whose remuneration exceeds £150,000 p.a. must also be named. The remuneration is also to be analysed between salary and employer's pension contribution. The following are the amounts paid to Chief Officers in 2010/11 :

Total salary paid and employer's pension contribution made in 2009/10		Total salary paid in 2010/11	Employer's pension contribution made in 2010/11	Total salary paid and employer's pension contribution made in 2010/11
£		£	£	£
186,590	A. Deeks – Chief Executive	163,920	27,539	191,459
142,262	Director of Corporate Resources	124,989	20,998	145,987
142,334	Director of Children and Young People	124,989	20,998	145,987
128,875	Director of Community Services	112,695	18,933	131,628
128,875	Director of Community Care and Housing	112,695	18,933	131,628
128,875	Director of Planning, Transport & Strat. Env.	113,151	18,933	132,084
113,368	Chief Financial Officer	99,377	16,695	116,072
104,783*	Head of Legal and Democratic Services	82,216	13,812	96,028

(*) Includes £11,573 in respect of one-off taxable benefits (relocation allowances)

The number of employees to whom the Council pays £50,000 or more is shown below in bands of £5,000. Pay includes salary, redundancy compensation and the value of any benefits not paid as cash but it excludes employer's pension contributions.

Salary Band	Non teaching staff		Teaching staff	
	Numbers at 31.3.10	Numbers at 31.3.11	Numbers at 31.3.10	Numbers at 31.3.11
£50,000 - £54,999	49	38	55	63
£55,000 - £59,999	21	23	37	33
£60,000 - £64,999	6	7	18	21
£65,000 - £69,999	1	2	2	8
£70,000 - £74,999	8	6	4	4
£75,000 - £79,999	2	3	5	4
£80,000 - £84,999	6	8	3	6
£85,000 - £89,999	4	3	2	1
£90,000 - £94,999	1		0	1
£95,000 - £99,999	2	2	1	0
£100,000 - £104,999	0		0	1
£105,000 - £109,999	0		0	0
£110,000 - £114,999	3	4	1	0
£115,000 - £119,999	0			1
£120,000 - £124,999	2	2		
£125,000 - £129,999	0			
£130,000 - £134,999	0			
£135,000 - £139,999	0			
£140,000 - £144,999	0			
£145,000 - £149,999	0			
£150,000 - £154,999	0			
£155,000 - £159,999	0			
£160,000 - £164,999	1	1		

During 2010-11 seven non- teaching staff and eight teachers appear in this table by virtue of having received redundancy payments of up to £30,000.

13. Audit Fees

The Audit Commission undertakes a number of duties for the Council under the Audit Code of Practice. The table below shows the fees paid to the auditors:

	2009/10 £'000	2010/11 £'000
For external audit services carried out by the appointed auditor under the Code of Audit Practice, in respect of:		
• Audit fee including Statutory Inspection	301	288
• certification of grants and returns	44	45
Total	345	333

Note the audit fee for 2010/11 no longer includes statutory inspection work.

14. Dedicated Schools Grant

Government funding for schools is such that the Council now receives a specific grant – Dedicated Schools Grant (DSG) – to meet the cost of schools services. This grant is ring fenced and can only be applied to meet expenditure properly included in the schools budget. The schools budget includes an element for central services provided to schools and for the Individual Schools Budget (ISB), which is the sum of each school's budget share.

Any overspend against the Schools budget is carried forward to the following year.

2009/10		Central Expenditure £'000	2010/11	
Grant Total			Individual Schools Budget	Grant Total
£'000		£'000	£'000	£'000
138,762	Final DSG for 2010/11			141,294
(984)	Brought Forward from 2009/10			(910)
		21,039	119,345	140,384
137,778	Agreed budget distribution in 2010/11			
(19,676)	Actual Central Expenditure	(21,784)		(21,784)
(119,462)	Actual ISB deployed to schools		(119,345)	(119,345)
450	Local Authority contribution for 2010/11	451		451
(910)	Overspend carried forward to 2011/12	(294)	0	(294)

15. Amounts reported for Resource Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure account is that specified by the Best Value Accounting Code of Practice. However decisions about resource allocation are taken by the authority's Cabinet on the basis of reports analysed across directorates. These reports are prepared on a different basis from the policies used in the financial statements. In particular:

- No charges are made for the use of capital assets (whereas depreciation and impairment losses in excess of the balance on the Revaluation Reserve are charged to the Income and Expenditure statement).
- The cost of retirement benefits are based on employer contributions incurred rather than the current service cost of benefits accrued.
- Expenditure on some support services is held centrally and not charged to directorates.

The income and expenditure of the Council's directorates recorded in the outturn report for the year is:

Directorate Income & Expenditure 2010-11

	CCHD	CECR	Comm Servs	CYP	PTSE	Central Items	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees, Charges & Other Income	(32,316)	(12,984)	(27,877)	(36,922)	(28,138)	0	(138,236)
Govt. Grants	(2,896)	(64,765)	(4,191)	(189,165)	(855)	0	(261,873)
Total Income	(35,212)	(77,749)	(32,068)	(226,087)	(28,993)	0	(400,109)
Employees	23,037	19,191	18,088	144,334	10,212	620	215,481
Other Service Expenditure	81,148	77,067	52,609	116,168	31,724	7,709	366,425
Total Exp.	104,185	96,258	70,697	260,502	41,936	8,329	581,906
Net Outturn	68,973	18,509	38,629	34,415	12,942	8,329	181,797

Note – the table above excludes interest payable and receivable, and the cost of levies paid. These items were included in the Cabinet outturn report, but fall outside of the Cost of Services.

Directorate Income & Expenditure 2009-10

	CCHD	CE CR	Comm Servs	CYP	PTSE	Central Items	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees, Charges & Other Income	(38,224)	(12,227)	(21,459)	(48,486)	(27,999)		(148,395)
Govt. Grants	(2,969)	(60,818)	(4,469)	(177,840)	(1,666)		(247,762)
Total Income	(41,193)	(73,045)	(25,928)	(226,686)	(29,665)		(396,517)
Employees	24,490	18,475	18,397	160,948	10,590		232,900
Other Service Expenditure	76,942	74,031	44,885	101,222	31,187	4,438	332,705
Total Exp.	101,432	92,505	63,282	246,880	41,777	4,438	565,605
Net Outturn	60,239	19,461	37,354	35,484	12,112	4,438	169,088

Reconciliation of Directorate Cost of Services to the Comprehensive Income & Expenditure Statement

The table below shows how the figures in the Directorate analysis above relate to the amounts included in the Comprehensive Income & Expenditure statement:

	2009-10	2010-11
	£'000	£'000
Net expenditure in Directorate analysis	169,088	181,797
Spending of Services not included	2,931	1,649
Amounts in CIES not reported to management	48,499	31,051
Amounts included in the Analysis not included in CIES	(6,309)	(7,683)
Cost of Services in the CIES	214,209	206,814

Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of Directorate income and expenditure relate to a subjective analysis of the Surplus or Deficit on the provision of Services included in the Comprehensive Income and Expenditure Statement.

2009/10 Comparatives	Directorate Analysis	Services and Support Services not in Analysis	Amounts not reported to management for decision making	Amounts not included in I & E	Cost of services	Corporate Amounts	Total
	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	(148,755)				(148,755)		(148,755)
Surplus or deficit on associates and joint ventures							
Interest and investment income						(3,014)	(3,014)
Income from Council Tax						(162,230)	(162,230)
Government grants and contributions	(247,762)				(247,762)	(75,651)	(323,413)
Total Income	(396,517)	0	0	0	(396,517)	(240,895)	(637,412)
Employee expenses	232,900		(10,100)		222,800	14,006	236,806
Other service expenses	332,705			(6,309)	326,396		326,396
Support Service recharges		2,931	6,543		9,474		9,474
Depreciation, amortisation and impairment			52,056		52,056		52,056
Interest Payments						7,209	7,209
Precepts & Levies						5,860	5,860
Payments to Housing Capital Receipts Pool						40	40
Gain or Loss on Disposal of Fixed Assets						31,272	31,272
Total Expenditure	565,605	2,931	48,499	(6,309)	610,726	58,387	669,113
Surplus or deficit on the provision of services	169,088	2,931	48,499	(6,309)	214,209	(182,508)	31,701

2010-11	Directorate Analysis	Amounts not reported to management for decision making	Amounts not included in I & E	Allocation of Recharges £000	Cost of services	Corporate Amounts	Total
	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	(138,236)			(19,200)	(157,436)		(157,436)
Interest and investment income						(1,316)	(1,316)
Income from council tax						(171,215)	(171,215)
Government grants and contributions	(261,873)				(261,873)	(22,930)	(284,903)
Capital Grants						(51,965)	(51,965)
Total Income	(400,109)			(19,200)	(419,309)	(247,426)	(666,735)
Employee expenses	215,481	1,541			217,022	-27,987	189,035
Other service expenses	366,425		-7,110		359,315		359,315
Support Service recharges				19,200	19,200		19,200
Depreciation, amortisation and impairment		30,586			30,586		30,586
Interest Payments						6,926	6,926
Precepts & Levies						5,881	5,881
Payments to Housing						29	29
Capital Receipts Pool							
Gain or Loss on Disposal of Fixed Assets						4,733	4,733
Total Expenditure	581,906	32,127	-7110	19,200	626,123	-10,418	615,705
Net Surplus							(51,030)

16. Trading Operations

Expenditure and income of the various trading activities of the Council are summarised in the table below:

	2009/10		2010/11	
	(Surplus) / Deficit	Expenditure	Income	(Surplus)/ Deficit
	£'000	£'000	£'000	£'000
Internal Trading				
Services to schools	(98)	5,224	(5,186)	38
School Meals	(1)	2,562	(2,581)	(19)
Catering	(13)	789	(798)	(9)
Building Cleaning	(4)	1,076	(1,082)	(6)
Total	(116)	9,651	(9,647)	4

17. Termination Benefits

The Authority terminated the contracts of a number of employees in 2010/11 incurring liabilities of £2,725,140 of which £1,097,834 related to teaching staff.

In 2009/10 this figure was £1,399,834 with £863,037 relating to teaching staff.

18. Transfers To/ from Earmarked Reserves

	2009-10			2010-11			
	Opening balance	Transfers Out	Transfer In	Balance 31 March 2010	Transfers Out	Transfer In	Balance 31 March 2011
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Schools Balances	7,798	547		7,251		2,370	9,621
CYP – Schools Trading Reserve	286		153	439		118	557
Local Plans & Planning Appeals	334		77	411		99	510
Building Control	43		7	50	30		20
Major Transport Schemes	804			804		234	1,038
Open Spaces – Commutated sums	307		14	321	93		228
Leisure Trust Pensions	176			176	-		176
Waste Management reserve	718	9		709	-		709
Waste PFI Equalisation	19,180		2,667	21,847	105	241	21,983
Residual HRA Balance Reserve	1,009	98		911	301		610
Drug Action Reserve	626	3		623	-		623
Vehicle & Equipment Replacement	313	10		303		902	1,205

	Opening balance	Transfers Out	Transfer In	Balance 31 March 2010 £'000	Transfers Out	Transfer In £'000	Balance 31 March 2011
Office Accommodation	3,593	515	229	3,391	2,077		1,314
Performance Reward Reserve				0		1,813	1,813
Credit Crunch reserve	4,366	1,125	390	3,631	120		3,511
Wildways Nature Reserve	0		42	42	14		28
RSG Loss Reserve				0		1,400	1,400
Equipment Renewal reserves	490	157		333	24	85	394
CE CR Improvement Reserve				23		65	88
Client Transport Reserve	0		144	144	144		0
Other Earmarked Reserves	295	125	219	146	9		137
Total Earmarked Revenue Reserves	41,207	3,565	3,915	41,557	2,917	7,326	45,966

The purpose of the earmarked reserves is:

Schools balances	Will be utilised by individual schools
School Trading reserves	To meet future losses or investment needs in services to schools
Local Plans & Planning appeals	To fund the local development plan and the legal costs of major planning appeals.
Building Control reserve	To fund losses or hold future gains from Building Control trading activity.
Major Transport Schemes reserve	To finance future transport capital schemes.
Open Spaces commuted sums	To fund the maintenance of adopted open spaces and footpaths.
Waste Management Equalisation	Equalises the cost of the Waste PFI contract, to ensure its affordability
Waste Management reserve	To fund future spending on Waste management
Residual HRA Balance reserve	To fund projects in former Council housing areas.
Drug Action reserve	Balance held on behalf of Drug Action Partnership. To be used for drug treatment and rehabilitation.
Leisure Trust pensions	To cover a potential liability for transferred staff.
Vehicle & Equipment Replacement	To cover the replacement of vehicles for Street Care.
Performance Reward Reserve	Used to support projects in 2011/12, as outlined in the Cabinet outturn report.

Office Accommodation reserve	To fund the additional costs of offices, whilst accommodation is rationalised
Credit Crunch reserve	To cover costs arising from the economic downturn
RSG Loss Reserve	Used to support the 2011/12 budget
Equipment Renewal Reserve	To fund the renewal of printing and ICT equipment

19. Movement in Usable Reserves

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement and Note 18 above.

20. Unusable Reserves

The balances on unusable reserves and the entries affecting them are outlined below:

31 March 2010 £'000		31 March 2011 £'000
154,792	Revaluation Reserve	168,010
428,957	Capital Adjustment Account	465,099
(4,174)	Financial Instruments Adjustment Account	(3,514)
(230,049)	Pensions Reserve	(172,230)
(6,569)	Accumulated Absences Account	(5,228)
768	Collection Fund Adjustment Account	385
343,725	Total Unusable Reserves	452,522

Revaluation Reserve

The Revaluation Reserve contains the gains made from increases in the value of the Council's Property, Plant & Equipment. The balance is reduced when assets with accumulated gains are: revalued downwards or impaired, used in the provision of services and the gains consumed through depreciation or disposed of, and the gains are realised.

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences from the different arrangements for accounting for the consumption of non-current assets and for financing the construction or enhancement of those assets under statutory provisions. The account is credited with depreciation and impairment losses which are charged to the Income and Expenditure account. The Capital Adjustment Account is also credited the amounts set aside as finance for the capital costs of construction and enhancement.

Financial Instruments Adjustment Account

This account absorbs the timing differences arising from the different arrangements for accounting for expenses relating to certain financial instruments and for bearing losses or gains per statutory provisions. The Council uses the account to manage premiums paid on the early redemption of loans. Premiums are debited to the Comprehensive Income & Expenditure account when they are incurred, but the majority is then reversed out of the General Fund via the Movement in Reserves Statement. Over time the expense is charged back to the General Fund in accordance with statutory arrangements for spreading the burden on Council Tax. The Council's policy is to write off premiums and discounts over the unexpired term of the original loans when repayment is part of a major restructuring exercise; or where interim early repayments are made, over the lesser of ten years or the unexpired term of the original loan.

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and funding in accordance with statutory provisions. The Council accounts for pensions benefits in the CIES as the benefits are earned by employees accruing years of service, and updating the liabilities to reflect inflation, changing assumptions and investment returns.

However statutory arrangements require benefits earned to be financed as the Council makes employers contributions to pension funds. The debit balance on the Pension Reserve indicates a substantial shortfall between the benefits earned by past and current employees and the resources set aside to meet them. Statutory arrangements aim to ensure funding is available by the time the pension benefits come to be paid.

The movements in the Pension Reserve are shown in Note 36 below.

Collection Fund Adjustment Account

The Collection Fund Adjustment account manages the differences arising from the recognition of Council Tax income in the Income and Expenditure account as it falls due from Council Tax payers. Whereas the statutory arrangement is to transfer amounts to the General Fund according to the Council's demand on the Collection Fund.

Accumulated Absences Account

The accumulated absences account absorbs the differences that would otherwise arise on the General fund balance from accruing compensating absences earned but not taken in the year e.g. annual leave entitlement carried forward at the year end. Statutory arrangements require the impact on the General Fund to be neutralised by transfer to or from the account.

21. Movements In Property, Plant and Equipment

Comparative Movements in 2009-10	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets under Construction	Total Property, Plant and Equipment	PFI Assets included in PP & E
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation								
At 1 April 2009	595,240	7,172	94,556	2,714	286	26,470	726,438	6,323
Prior year adjustments VA/VC schools, etc	59,579	4,044					63,623	
IFRS changes to balance at 1 April 2009	3,014	5,671	0	0	(212)	0	8,473	
At 1 April 2009 (adjusted))	657,833	16,887	94,556	2,714	74	26,470	798,534	6,323
Additions	13,914	7,601	17,066	0	0	57,842	96,423	915
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(13,298)	0	0	0	0	0	(13,298)	
Revaluation increases/(decreases) recognised in the Revaluation Reserve	23,178	0	0	0	55	0	23,233	
Derecognition – Disposals	(31,566)	(19)	0	0	(199)	0	(31,784)	
Assets reclassified to/from Assets under Construction	38,411	0	0	(1,723)	0	(36,688)	0	
Assets reclassified (to)/from Held for Sale	0	0	0	0	199	0	199	
At 31 March 2010	688,472	24,469	111,622	991	129	47,624	873,307	7,238
Accumulated Depreciation and Impairment								
At 1 April 2009	(78,224)	(1,222)	(8)	(396)	(74)	0	(79,924)	
IFRS changes to balance at 1 April 2009 (depr.)	(98)	(3,340)					(3,438)	
IFRS changes to balance at 1 April 2009 (impair)	(643)						(643)	
At 1 April 2009 (adjusted)	(78,965)	(4,562)	(8)	(396)	(74)	0	(84,005)	0
Depreciation charge	(16,236)	(3,626)	0	0	0	0	(19,862)	(725)
Depreciation written out to the Revaluation Reserve	3,473	0	0	0	0	0	3,473	
Depreciation written out to the Surplus/Deficit on the Provision of Services	16,138	2,540	0	0	0	0	18,678	
Impairment losses/(reversals) recognised in the Revaluation Reserve	(886)	0	0	0	0	0	(886)	
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	(19,091)	0	0	(149)	0	0	(19,240)	
Other movements in Depreciation and Impairment	(18,724)	(2,540)	0	0	0	0	(21,264)	
At 31 March 2010	(114,291)	(8,188)	(8)	(545)	(74)	0	(123,106)	725
Net Book Value								
At 31 March 2010	574,181	16,281	111,614	446	55	47,624	750,201	6,513
At 31 March 2009	578,868	12,325	94,548	2,318	0	26,470	714,529	6,323

Comparative Movements in 2010-11	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets under Construction	Total Property, Plant and Equipment	PFI Assets included in PP &E
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<u>Cost or Valuation</u>								
At 1 April 2010 Prior year adjustments VA/VC schools, etc IFRS changes to balance at 1 April 2009	688,472	24,469	111,622	991	129	47,624	873,307	7,238
At 1 April 2010 (adjusted)) Additions Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services Revaluation increases/(decreases) recognised in the Revaluation Reserve Derecognition – Disposals Assets reclassified to/from Assets under Construction Assets reclassified (to)/from Held for Sale	688,472 13,594 17,549 (12,754) 64,989	24,469 7,590 (479)	111,622 18,102	991	129	47,624 39,498 (64,989)	873,307 78,784 17,549 (13,233)	7,238 804
At 31 March 2011	771,850	31,580	129,724	991	129	22,133	956,407	8,042
<u>Accumulated Depreciation and Impairment</u>								
At 1 April 2010 IFRS changes to balance at 1 April 2009 (depr.) IFRS changes to balance at 1 April 2009 (impair)	(114,291)	(8,188)	(8)	(545)	(74)	0	(123,106)	(725)
At 1 April 2010 (adjusted) Depreciation charge Depreciation written out to the Revaluation Reserve Depreciation written out to the Surplus/Deficit on the Provision of Services Impairment losses/(reversals) recognised in the Revaluation Reserve Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services Other movements in Depreciation and Impairment	(114,291) (13,145) 7,318 718 (14,106)	(8,188) (4,945) 465	(8)	(545)	(74)	0	(123,106) (18,090) 7,318 465 718 (14,106)	(725) (789)
At 31 March 2011	(133,506)	(12,668)	(8)	(545)	(74)		(146,801)	(1514)
<u>Net Book Value</u>								
At 31 March 2011	638,344	18,912	129,716	446	55	22,133	809,606	6,528
At 31 March 2010	574,181	16,281	111,614	446	55	47,624	750,201	6,513

22. Investment Properties

The following items of income and expense have been accounted for in the Financing and Investment income and expenditure line in the Comprehensive Income and Expenditure statement:

2009-10		2010-11
£'000		£'000
239	Rental Income	258
(13)	Direct Operating Expenses	(12)
226	Net Gain/ (Loss)	246

There are no restrictions on the authority's ability to realise the value in its investment property or on its right to the remittance of income and the proceeds of disposal. The authority has no contractual obligations to purchase or develop investment property or to material repairs or enhancement.

The following table summarises the movement in the fair value of investment properties over the year:

2009-10		2010-11
£'000		£'000
4,314	Opening Balance	4,314
	Additions	-
	Disposals	-
	Losses from Fair Value Adjustments	(453)
4,314	Net Book Value at Year End	3.861

23. Analysis of Capital Expenditure and Financing

Total capital expenditure in 2010-11 of £88.6m (2009-10 £103.47m) comprised £78.8m on tangible fixed assets (completed and under construction including assets leased under finance leases and as part of the Waste Disposal PFI), £0.9m on intangible assets and £8.9m in respect of revenue expenditure funded from capital under statute. The following table analyses expenditure by directorates and how the capital expenditure has been financed:

Capital	2009-10 Waste PFI and finance leases	Total		Capital	2010-11 Actual Waste PFI and finance leases	Total
£'000	£'000	£'000	Capital Expenditure by Directorates	£'000	£'000	£'000
22,293		22,293	Chief Executive and Corporate Resources	11,485		11,485
53,054		53,054	Children & Young People (incl. schools)	43,880		43,880
11,230	915	12,145	Community Services	13,885	804	14,689
11,241		11,241	Planning, Transportation and Strategic Environment	12,170		12,170
1,833		1,833	Community Care	3,835		3,835
16		16	Housing – Residual HRA	0		0
2,893		2,893	Housing – Non HRA	2,570		2,570
102,560	915	103,475	Total capital expenditure	87,825	804	88,629
			Financing			
		3,923	Supported Borrowing	7,556		7,556
		17,087	Unsupported Borrowing	9,167		9,167
		46,648	Capital Grants and Developers' Contributions	54,147		54,147
		29,426	Capital Receipts	12,388		12,388
		2,981	Capital Fund	2,982		2,982
		1,266	Revenue	1,413		1,413
		1,229	Other Reserves and Provisions	172		172
		915	Credit arrangements		804	804
		103,475	Total capital financing	87,825	804	88,629

The Council gained £0.06 million (2009-10 £0.9 million) from property and other asset sales during the year and is due around £1.5 million (2009-10 £2.1 million) from RTB receipts and VAT rebate share under the LSVT transfer agreement.

Capital commitments:

As at 31st March 2011, the Council had significant capital commitments in relation to partly completed schemes, and these can be funded from existing resources :

	Project Commitment
	£'000
Pucklechurch Primary	792
Staple Hill Primary	1,966
New Siblands SEN school	2,864
New Horizons BESD Primary school	1,696
New Horizons BESD Secondary school	3,359
Kingswood Leisure Centre	699
Kingswood Civic Centre and Locality Hub	3,016
Severnvale Locality Hub	3,422
Fiveways ALD centre and EMI	1,025
Cambrian Green ECH	800
A4174 highway widening (GBBN)	1,473
Total	21,112

At the end of March 2010, the Council had capital commitments of £14 million.

24. Intangible Assets

The authority accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system. The intangible assets are only purchased licences.

All capitalised software is given a finite useful life of 5 years which is the estimated period the software is expected to be of use to the authority. Feasibility study costs are amortised in the year the expenditure was incurred. The carrying amount of intangible assets is amortised on a straight line basis.

The movement on Intangible asset balances during the year is:

2009-10		2010-11
£'000		£'000
1,814	Net Carrying Amount at 1 April	3,058
1,774	Additions – Purchases	905
(530)	Amortisation	(879)
3,058	Net Carrying Amount at Year End	3,084

25. Non – Current Assets Held for Sale

The movement on non-current assets held for sale is shown in the table below:

	2009-10	2010-11
	£'000	£'000
Opening balance	0	0
Assets Re-Classified as Held for Sale	199	0
Revaluation Gains/ Losses		
Assets sold	(199)	
Balance outstanding at Year End	0	0

26. Inventories

	Balance at 1 April £'000	Purchases	Expensed in year	Write- offs	Balance at 31 March £'000
Consumables	3	-	(3)	-	-
Street Lighting & H'ways	397	1,836	(1,815)	(71)	347
H'ways - Salt	96	127	(110)	(33)	80
Rail passes	20	-	(20)	-	-
Franking	17	101	(100)	-	18
Total	533	2,064	(2,048)	(104)	445

27. Cash and Cash Equivalents

The balance of Cash and Cash Equivalents is made up of the following elements:

31 March 2010		31 March 2011
£'000		£'000
3,759	Cash Held by the Council	161
(3,008)	Bank Current Accounts	(4,347)
4,216	Bank Deposits repayable on demand	7,166
-	Other Short Term Deposits	-
4,967	Net Carrying Amount at Year End	2,980

28. Debtors

The Council's debtors at the balance sheet date are outlined in the table below. Non-current debtors are those due over a period longer than 12 months.

Non-current debtors:

	2009-10	2010-11
	£'000	£'000
Care Fees due	1,145	1,739
Loans to Housing Associations	413	411
Mortgages	173	134
Car & Other loans to Employees	396	448
Other long term debtors	144	114
Total	2,271	2,846

Current debtors:

	2009-10	2010-11
	£'000	£'000
Government departments	12,865	11,782
Other local authorities	0	3,758
NHS	331	874
Other Entities & Individuals	18,755	15,853
Current Debtors	31,951	32,267

29. Creditors

The outstanding creditors at the year-end are outlined in the table below:

	2009-10	2010-11
	£'000	£'000
Government departments	12,128	11,227
Other local authorities	4,142	2,317
NHS	7	765
Public Corporations	115	41
Other Entities & Individuals	27,616	35,042
Total	44,008	49,392

30. Provisions

Provisions are amounts set aside by the Council for liabilities or losses that are certain to be incurred but the amounts and dates on which they will arise are uncertain. The following is an analysis of the movement of the provisions during the year: -

	Balance at 1 April 2010 £'000	Additional provisions £'000	Amounts used £'000	Balance at 31 March 2011 £'000
Harnhill Restoration	2,662	143	(113)	2,692
Accumulated Absences	6,569	5,228	(6,569)	5,228
Insurance Provision	5,155	2,556	(2,205)	5,506
Severance Provision	1,541	1,537	(1,683)	1,395
Other Provisions	612	327	(131)	808
Total	16,539	9,791	(10,701)	15,629

- The Harnhill Restoration/Aftercare provision is to pay for environmental reinstatement work such as the prevention of leaching and other adverse environmental impacts following the closure of the landfill site. The amount of the provision assumes that the Council will need to manage the site for approximately another 45 years. Estimates of future costs are based on day-to-day aftercare management costs plus estimates of gas control costs and some capital expenditure. It is estimated that approximately £190,000 will be charged against the fund in the next twelve months but that annual expenditure will reduce as time goes on. However changes in the behaviour of landfill sites are difficult to predict and the provision is kept under review.
- The Accumulated Absences provision recognises the value of holiday not yet taken by staff at 31 March and carried forward to be used in future periods. The provision at 31 March 2011 will be used up during 2011-12 as holiday is taken. In practice it is unlikely to result in significant cash movements as most staff are expected to remain in post and take all holiday due to them. Most of the provision relates to teachers, for whom the value of the accumulated holiday can be accurately estimated due to the set pattern of school holidays.
- Further information on the Insurance provision is given in Note 31 below.
- The Severance Provision has been made for redundancy costs arising from the programme of service reviews currently underway in the Council. Although an estimate has been made the final amount of these costs will depend on the details of each individual redundancy case. It is expected that a significant proportion of the provision will be used in 2011-12, and the Council has budgeted to add to the provision.
- All other provisions are individually insignificant.

31. Insurance Provision

The purpose of this provision is to cover losses below the insurance excesses: £50,000 for property claims and £25,000 for liability claims subject to stop losses. The main material risk not covered by external insurance relates to incidents of gradually occurring pollution.

The Council covers around two thirds of its claims from this provision, and the remaining third is met by the Council's insurers. The provision is set at a level to cover the known claims and those which are 'incurred but not yet reported'. In practice, this is a value between the amount of received but not settled claims and the total maximum liability under the Council's insurance policies.

At 31 March 2011, the insurance provision's balance stood at £5.506M (£5.15M at the end of 2009-10), of which approximately £1.5M is estimated will be used in the next twelve months.

32. Transactions with Related Parties

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council, or to be controlled or influenced by the Council.

Members of the Council

Members of the Council have direct control over the Council's financial and operating policies. The total of members allowances paid in 2010/11 is shown in Note 11.

One Member has interests in a company providing transport services to the Council (payments made in 2010/11 totalling £13.2m). Contracts are awarded to the company in compliance with the Council's Contracting Rules and the member is not on transportation related committees.

A small number of Members have an interest in voluntary organisations awarded grants by the Council. This includes interests in local community transport organisations. Grants were made with proper consideration of declarations of interest, and the relevant Members took no part in voting on decisions relating to the grants.

Three Members are Trustees of the South Gloucestershire Leisure Trust. Six Members are members of the Avon Fire Authority and two are members of the Avon and Somerset Police Authority. Two Members are on the board of the Merlin Housing Society. One Member is a Trustee of Severnside Sirens Trust.

Chief Officers and Second Tier Officers

One officer is a director of the South West Grid for Learning Trust (SWGfL), a company limited by guarantee. SWGfL provides schools including those in the South Gloucestershire area, with broadband and broadband enabled teaching and learning resources.

One officer is a Director and chair of The Learning Partnership West, a not for profit company jointly controlled by the four former Avon authorities and limited by guarantee. It receives government funding, passed on to them by the Council. Learning Partnership West provides information, advice and guidance to young people aged 13 – 19, both in the Council's schools and from their own premises and fulfils a statutory requirement for the Council to provide these services.

The officers concerned have made declarations of interest in the departmental Registers of Interest.

Other Officers

A number of officers serve on the boards of voluntary sector or not for profit organisations which provide services to, or receive funding from the Council. The officers concerned make declarations of interest in the departmental Registers of Interest and ensure contacts at the Council are aware of their involvement, and are not involved in any decisions relating to funding.

Assisted Organisations

South Gloucestershire Leisure Trust commenced trading on 1 November 2005. It is a separate not-for-profit organisation that manages leisure centres for the Council. There is £60,000 outstanding on a loan of £100,000 made in 2006/07 which is subject to interest and repayable within 5 years. A management fee of £751,175 was paid by the Council in 2010/11 (£809,480 in 2009/10). Funding is conditional upon the Trust operating within an agreed Service Framework and to agreed performance standards.

Learning Partnership West received £2,139,524 from the Council during the year as well as contributions from neighbouring unitaries.

Government Departments

Central government has effective control over the general operations of the Council. It is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants, and prescribes the terms of many of the transactions that the Council has with other parties (e.g. Housing Benefits). Details of Revenue Support Grant, Dedicated Schools Grant, non-domestic rates redistribution and Area Based Grant are disclosed in the Income and Expenditure account and elsewhere in the Notes to the Accounting Statements.

Notes 8 and 9 give further information on the authority's grant income.

33. Leases

The Council as lessee

Operating Leases

The Council has acquired the use of some property, vehicles and equipment under operating leases. The expenditure charged to the Comprehensive Income and Expenditure Statement in respect of these leases in the year was as follows:

	2009-10 £'000	2010-11 £'000
Minimum lease payments:		
Land and Buildings	1,219	886
Vehicles, Plant, Furniture and Equipment	680	403
Total payments	1,899	1,289
Sub-lease payments receivable in respect of vehicles	(86)	(101)
Net expenditure charged to CI&ES	1,813	1,188

The future minimum lease payments due under these non-cancellable leases in future years are:

	31 March 2010 £'000	31 March 2011 £'000
Not later than one year	1,006	755
Later than one year and not later than five years	1,224	589
Later than five years	477	417
Total	2,707	1,761

Future minimum sub-lease payments expected to be received in respect of the above leases amount to £52,659.

Finance Leases

The Council has acquired vehicles and equipment under finance leases. These assets are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

	31 March 2010 £'000	31 March 2011 £'000
Vehicles, Plant, and Equipment	1,521	752

The Council is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the asset acquired by the Council and finance costs that will be payable by the Council in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

	31 March 2010 £'000	31 March 2011 £'000
Finance lease liabilities (net present value of minimum lease payments):		
- current	712	591
- non current	734	156
Finance costs payable in future years	203	78
Total minimum lease payments	1,649	825

The minimum lease payments will be payable over the following periods:

	Minimum lease payments		Finance lease liabilities	
	31 March 2010	31 March 2011	31 March 2010	31 March 2011
	£'000	£'000	£'000	£'000
Not later than one year	837	658	712	591
Later than one year and not later than five years	812	167	734	156
Later than five years	0	0	0	0
Total	1,649	825	1,446	747

The minimum lease payments do not include rents contingent on events taking place after the lease was entered into, and none were payable by the Council in 2010-11.

The Council as lessor

Operating Leases

The Council leases out property under operating leases for the following purposes:

- for the provision of community services such as sports facilities and community centres
- for economic development purposes to provide suitable affordable accommodation for local businesses
- smallholdings

The future minimum lease payments receivable under non-cancellable leases in future years are:

	31 March	31 March
	2010	2011
	£'000	£'000
Not later than one year	480	488
Later than one year and not later than five years	1,648	1,512
Later than five years	18,011	17,658
Total	20,139	19, 658

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, and none were received in 2010-11.

Finance Leases

The Council has leased out the former Ridings High School and King Edmunds Community School to the Ridings Federation of Academies on 125 year finance leases, both at peppercorn rents, which is a statutory requirement for Academies. The Council's gross investment in these leases, is made up as follows:

	31 March	31 March
	2010	2011
	£'000	£'000
Finance lease debtor (net present value of minimum lease payments)	0	0
Unearned finance income	0	0
Unguaranteed residual value of property	12,766	12,766
Gross investment in the lease	12,766	12,766

The gross investment in the lease is receivable in more than five years.

34. PFI Contract

Since 2000 the Council has had a PFI contract with SITA for an integrated waste management service. The contract gives SITA responsibility for :

- The collection and transportation of household waste;
 - The operation of waste reception and recycling facilities;
 - Household waste reduction through recycling and recovery of waste and home composting;
- The implementation and operation of facilities for the processing and final disposal of the Council's waste.

At the end of the contract term the land, assets and plant leased to the operator will be returned to the Council for nil consideration. The Council also has the option to acquire all contractor owned assets at nil cost and to have leased assets assigned or novated to it.

The 2009 SORP has meant substantial changes to the way in which PFI schemes are accounted for such that the assets used and liability to the operator are shown on the Council's balance sheet. The value of Assets held under PFI contracts and their movement is set out in the table below:

	2009/10	2010/11
	£'000	£'000
Opening balance	6,322	6,512
Additions	915	804
Depreciation	(725)	(789)
Closing balance	6,512	6,527

The movement in the value of liabilities resulting from the PFI contract is as follows:

	2009-10	2010-11
	£'000	£'000
Opening balance	(921)	(1,246)
Additions	915	804
Repayment	(1,240)	(1,245)
Closing balance	(1,246)	(1,687)

In the last two years the PFI scheme shows as a negative liability (i.e. an asset). This arises from the pre-payment of liabilities, since this is at a similar rate throughout the contract whereas capital spending varies from year to year. Details of expected future payments under the PFI contract are:

	Service Cost	Financing	Lease liability	Total
	£'000	£'000	£'000	£'000
Within 1 year	15,731	609	1,252	17,592
Within 2-5 years	70,759	3,194	5,016	78,969
Within 6-10 years	112,649	5,979	6,249	124,877
Within 11-15 years	134,128	7,268	5,321	146,717
Total commitment	333,267	17,050	17,838	368,155

The outstanding commitments are estimates of the cash amounts payable. During 2010/11 the Council reviewed the services provided under the SITA contract and this affected the unitary payments due.

35. Deferred liability – contribution to the repayment of residual Avon County Council Debt

Following Local Government Reorganisation in 1996 Avon County Council's residual debt is administered by Bristol City Council. All Avon area Unitary Authorities make an annual contribution to principal and interest repayment. The Council's share of the residual debt outstanding at 31 March 2011 is £20.083 million (£21.962 million at 31 March 2010). The total interest and MRP paid on this debt in the year was £1,938,148 (£2,290,000 in 2009-10).

36. Pension Reserve and Defined Contribution Pension Scheme

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Authority makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2009/10		2010/11	2010/11	2010/11	2010/11
Total		LGPS	Unfunded Teaches Pensions	LGR 1974 and 1996	Total
£000		£000	£000	£000	£000
(161,583)	Balance at 1st April	(201,578)	(28,297)	(174)	(230,049)
(61,206)	Actuarial gains or losses on pensions assets and liabilities	28,606	(69)		28,537
(25,618)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	10,359	(394)		9,965
18,358	Employer's pensions contributions and direct payments to pensioners payable in the year	17,300	1,921	96	19,317
(230,049)	Balance at 31st March	(145,313)	(26,839)	(78)	(172,230)

Pensions Scheme Accounted for as Defined Contribution Schemes

Teachers employed by the authority are members of the Teachers' Pension Scheme, administered by the Department for Education. The Scheme provides teachers with specified benefits upon their retirement, and the authority contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The Scheme is technically a defined benefit scheme. However, the Scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The Authority is not able to identify its share of underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2010-11 the Council paid £10,680,330.54 to Teachers' Pensions in respect of teachers' retirement benefits, representing 14.1% of pensionable pay (in 2009-10 £10.848 m was paid representing 14.1%). There were no contributions remaining payable at the year-end.

The authority is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in Note 38.

38. Defined Benefit Pension Schemes

Participation in pension schemes

As part of the terms and conditions of employment of its officers, the Authority makes contributions towards the cost of post employment benefits. Although these benefits will not actually be payable until employees retire, the Authority has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

The authority participates in two post employment schemes: The Local Government Pension Scheme, administered locally by Bath and North East Somerset Council – this is a funded defined benefit final salary scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

Arrangements for the award of discretionary post retirement benefits upon early retirement - this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pensions liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due.

Transactions relating to post employment benefits

We recognise the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of post employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

Transactions relating to post employment benefits

	Local Government Pension Scheme		Unfunded Teachers Pensions	
	2010 £000	2011 £000	2010 £000	2011 £000
Comprehensive Income and Expenditure statement				
Cost of Services:				
Current Service Cost	10,110	16,516	0	0
Past Service Cost/ (Gain)	14	(35,625)	0	(1,565)
Settlements & Curtailments	504	805	984	455
Financing and investment income and expenditure				
Interest Cost	29,954	33,130	1,590	1,504
Expected Return on Scheme Assets	(17,538)	(25,185)	0	0
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	23,044	(10,359)	2,574	394
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement				
Actuarial (Gains) and Losses	56,919	(28,606)	4,287	69
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	79,963	(38,965)	6,861	463
Movement in Reserves Statement				
reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(23,044)	10,359	(2,574)	(394)
Actual amount charged against the General Fund Balance for pensions in the year				
employers' contributions payable to scheme	16,341	17,299		
retirement benefits payable to pensioners			1,918	1,921
The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2010/2011 is a gain of £28.6m				

Assets and Liabilities in relation to Post-employment Benefits

	Funded Benefits: Local Government Pension Scheme		Unfunded Teachers Pensions	
	2009/2010	2010/2011	2009/2010	2010/2011
	£000	£000	£000	£000
Reconciliation of present value of the scheme liabilities (defined benefit obligation)				
Opening balance at 1 April	422,152	590,214	23,354	28,297
Current service cost	10,110	16,516	0	0
Interest cost	29,954	33,130	1,590	1,504
Contributions by scheme participants	6,225	6,224	0	0
Actuarial gains and losses	138,121	(20,290)	4,287	69
Benefits paid	(16,866)	(19,956)	(1,918)	(1,921)
Past service costs	14	(35,625)	0	(1,565)
Curtailments	504	805	984	455
Settlements	0	0	0	0
Closing balance at 31 March	590,214	571,018	28,297	26,839
Reconciliation of fair value of the scheme (plan) assets				
Opening balance at 1 April	284,196	388,636	0	0
Expected rate of return	17,538	25,185		
Actuarial gains and losses	81,202	8,316		
Employer contributions	16,341	17,299	1,918	1,921
Contributions by scheme participants	6,225	6,224		
Benefits paid	(16,866)	(19,956)	(1,918)	(1,921)
Entity combinations				
Settlements				
Closing balance at 31 March	388,636	425,704	0	0

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was £29.56m (2009/10: £98.74m).

Scheme History

	2006/07 £000	2007/08 £000	2008/09 £000	2009/10 £000	2010/11 £000
Present value of liabilities:					
Local Government Pension Scheme	(462,778)	(491,616)	(422,152)	(590,214)	(571,018)
Unfunded Teachers Pensions	(22,866)	(26,397)	(23,354)	(28,297)	(26,839)
	(485,644)	(518,013)	(445,506)	(618,511)	(597,857)
Fair value of assets in the Local Government Pension Scheme					
Local Government Pension Scheme	360,584	337,031	284,196	388,636	425,704
Unfunded Teachers Pensions	0	0	0	0	0
Total	(125,060)	(180,982)	(161,310)	(229,875)	(172,153)

The liabilities show the underlying commitments that the authority has in the long run to pay post employment (retirement) benefits. The total liability of £172.2m has a substantial impact on the net worth of the authority as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy:

The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary.

Finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

The total contributions expected to be made to the Local Government Pension Scheme by the council in the year to 31 March 2012 is £15.5m (£15,949,000 in 2009-10). Expected contributions for the Teachers pensions scheme in the year to 31 March 2012 are £10.7m.

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Mercer Ltd, an independent firm of actuaries, estimates for the Council Fund being based on the latest full valuation of the scheme as at 1 April 2010.

The principal assumptions used by the actuary have been:

	Local Government Pension Scheme		Unfunded Teachers Pensions	
	2009/10	2010/11	2009/10	2010/2011
Long-term expected rate of return on assets in the scheme:				
Equity investments				
Bonds	9.7%	9.5%	N/A	N/A
Other	22.0%	22.0%	N/A	N/A
Mortality assumptions:				
Longevity at 65 for current pensioners:				
Men	21.2	22.7	21.2	22.7
Women	24.1	25.6	24.1	25.6
Longevity at 65 for future pensioners:				
Men	22.2	25	22.2	25
Women	25	28.0	25	28.0
Rate of inflation - RPI	3.33%	3.40%	3.20%	3.30%
Rate of inflation- CPI	N/A	2.90%	N/A	2.80%
Rate of increase in salaries	4.55%	4.40%	4.55%	4.40%
Rate of increase in pensions	3.30%	2.90%	3.20%	2.80%
Rate for discounting scheme liabilities	5.60%	5.50%	5.50%	5.40%
Take-up of option to convert annual pension into retirement lump sum				

The Unfunded Teachers pensions arrangements have no assets to cover its liabilities. The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

	31 March 2010	31 March 2011
	%	%
Equity investments	65	62.6
Debt Instruments	0	0
Other assets	35	37.4
	100	100

History of experience gains and losses

The actuarial gains identified as movements on the Pensions Reserve in 2010-11 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2011:

	2006/07	2007/08	2008/09	2009/10	2010/11
	%	%	%	%	%
Differences between the expected and actual return on assets	+14	-9.3	-29.4	+20.9	+2
Experience gains and losses on liabilities	-1	+2.3	0	0	+3.8

39. Contingent Assets

The transfer of housing stock to Merlin Housing Society in February 2007 gave rise to a contingent asset, being an entitlement to a 50% share of the VAT on a 10 year programme of improvement works, (likely to be between £0.7m and £1.0m additional capital receipts per annum).

40. Contingent Liabilities

The Council is responsible for the pension liability of transferred staff in the event of Merlin Housing Society failing without being able to meet its financial obligations. However, the risk of this happening is considered minimal because of the regulatory regime applied to Housing Associations. It is not possible to quantify the Council's potential liability.

In 1992 Northavon District Council became party to a guarantee of the interest on £100million 8¼% Loan Stock maturing in 2037, issued by North Housing Association– now known as Home Group Ltd. The Council's share in the guarantee is 6.65%. There is a counter indemnity provision, and the risk of the potential £0.6m per annum liability arising is considered minimal because of the regulatory regime applied to Housing Associations.

South Gloucestershire Council is party to a Performance Deed created in June 2000 under the terms of its waste management licence for the Harnhill landfill site. It requires the Council to indemnify the Environment Agency in certain circumstances. Liability to indemnify is contingent upon the Agency having to undertake any remedial works, or on the Council's non – performance of its obligations under the Licence Agreement. The current maximum liability under the Deed is £7.3m at 31 March 2011 (index-linked).

41. Financial Instruments balances

The following categories of financial instruments are carried in the Balance Sheet:

	Long term		Current	
	31 March 2010 £'000	31 March 2011 £'000	31 March 2010 £'000	31 March 2011 £'000
Financial liabilities – principal amount	(103,644)	(103,610)	(38)	(10,034) ⁽³⁾
Accrued interest ⁽¹⁾			(1,049)	(1,051)
Total financial liabilities at amortised cost	(103,644)	(103,610)	(1,087)	(11,085)
Total borrowings	(103,644)	(103,610)	(1,087)	(11,085)
Other long term liabilities – PFI and finance lease liabilities	(200)	1,532	0	(591)
Creditors – financial liabilities carried at contract cost	-	-	(44,008)	(48,801)
Loans and receivables (principal amount)	7,000	7,000	32,000	22,000
Accrued interest ⁽¹⁾			1,755	221
Total loans and receivables at amortised cost	7,000	7,000	33,755	22,221
Financial assets at fair value through the I&E account ⁽²⁾	-	-	18,385	22,119
Total investments ⁽⁴⁾	7,000	7,000	52,140	44,340
Debtors	2,271	2,846	31,951	32,267

- (1) Under accounting requirements, financial instruments at amortised cost include the principal amount borrowed or lent, and accrued interest. Accrued interest is shown as current or long-term, dependent upon whether it is due for payment/receipt within or after 12 months from the balance sheet date.
- (2) This is the externally managed fund for which the fair value is measured by reference to published bid prices quoted in an active market.
- (3) Borrowings due for repayment in less than one year show a significant increase because the Council took out a temporary loan to support its daily cash flow requirements over year-end. This loan was repaid within a month of year-end.
- (4) Overall investments have decreased as the Council's treasury management strategy has been to use surplus cash balances to help fund the capital programme rather than invest them, thus reducing counterparty risk.

42. Fair Value of Assets and Liabilities Carried at Amortised Cost

Financial liabilities and financial assets represented by loans and receivables are carried on the Balance Sheet at amortised cost. The following note provides a comparison of these carrying values to the fair value of the instruments. Fair value provides a measure of the consequences of borrowing or lending at fixed rates compared to variable rates, as well as an indication of the cost or benefit of early repayment. The fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments, using the following assumptions:

- for loans from the Public Works Loans Board (PWLb), premature repayment rates from the PWLB at the Balance Sheet date have been applied to provide the fair value under PWLB debt redemption procedures. For market borrowing the prevailing rate at balance sheet date for a similar instrument has been used and provides a reasonable approximation to fair value for these instruments;
- for loans receivable after 12 months from the Balance Sheet date indicative market rates at the balance sheet date have been used;
- no early repayment or impairment is recognised.

For investments with a maturity of less than 12 months, and trade or other receivables carried at invoiced amount, the carrying amounts are assumed to approximate to fair value and they are therefore not included in the table below.

The fair values calculated are as follows:

	31 March 2010		31 March 2011	
	Carrying amount (Amortised cost) £'000	Fair Value £'000	Carrying amount (Amortised cost) £'000	Fair Value £'000
Financial liabilities – borrowings	104,731	104,958	114,695	119,390
Loans and receivables – money market loans maturing in more than 12 months.	7,046 ¹	7,242	7,047 ¹	7,031

1. This amount is split on the Balance Sheet between Short Term Investments (interest receivable within 12 months) and Long Term Investments (£7m principal receivable after 12 months)

The fair value of borrowings is higher than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the redemption rates in force at the Balance Sheet date, which means the borrowings would be more costly to redeem.

43. Financial Instruments: Gains and Losses

The gains and losses recognised in the Income and Expenditure account and the Movement in Reserves statement in relation to financial instruments are made up as follows:

Financial Liabilities Liabilities at amortised cost	2009-10				2010-11			
	Financial Assets		Total		Financial Assets		Total	
	Loans and receivables	Fair value through I&E account (1)			Loans and receivables	Fair value through I&E account (1)		
£'000	£'000	£'000	£'000		£'000	£'000	£'000	
(6,271)	0	0	(6,271)	Interest payable and similar charges	(6,025)	0	0	(6,025)
0	0	0	0	Fee expense	(1)	0	0	(1)
(6,271)	0	0	(6,271)	Total expense in Surplus or Deficit on the Provision of Services	(6,026)	0	0	(6,026)
153	0	0	153	Net Gains on derecognition (2)	0	0	0	0
-	2,883	131	3,014	Interest and investment income	0	1,141	175	1,316
153	2,883	131	3,167	Total income in Surplus or Deficit on the Provision of Services	0	1,141	175	1,316

(1) The Council employs an external fund manager to manage approximately £22 million of its surplus cash balances. These are managed as a portfolio, in which some of the investments are actively traded. Therefore as required by the Code of Practice, the whole portfolio of externally managed investments is accounted for at fair value and gains or losses on the investments are accounted for through the Comprehensive Income and Expenditure Statement as described in the Accounting Policies.

(2) The net losses and gains on derecognition in 2009/10 were the premia and discounts on the early repayment of some PWLB borrowing. Under statutory regulations, these are being amortised over 10 years, and an adjustment was made in the Movement in Reserves statement on the General Fund Balance to reduce the impact on the General Fund to £0.015m.

44. Nature and extent of risk arising from Financial Instruments

Key Risks

The Council's activities expose it to a variety of financial risks, the key risks being:

Credit risk – the possibility that other parties might fail to pay amounts due to the Council;

Liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments;

Re-financing risk – the possibility that the Council might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms;

Market risk - the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates movements.

Overall Procedures for Managing Risk

The Council's treasury management risk management procedures aim to minimise risk from the unpredictability of financial markets and seek to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by the Corporate Finance treasury management team, under policies approved by the Council in the Annual Treasury Management and Investment Strategies before the start of each year. The Council maintains written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash. These procedures comply with statute and regulations, and the CIPFA Code of Practice on Treasury Management in the Public Services.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. Risk is minimized by ensuring that deposits are only made with banks and financial institutions that meet the minimum requirements of the investment criteria set out in the annual Treasury Management and Investment Strategy. For 2010-11 these minimum criteria were:

- long-term rating of 'A-', short-term rating 'F1', individual rating 'C' and support rating '3' (from Fitch ratings agency, or equivalent from Moody's and Standard and Poor's) for banks and building societies; where an institution has ratings from more than one agency, the lowest is used to determine acceptability as a counterparty and limits on investments;
- UK financial institutions with individual ratings lower than 'C' acceptable if eligible for HM Treasury's Credit Guarantee Scheme and where the support rating is '1';
- 'AAA' for money market funds.

The Investment Strategy also imposes the maximum amounts and time limits in respect of a financial institution, dependent upon the quality of their ratings. For the highest rated UK high street banks the limit was £20m for a maximum maturity of three years; for other high rated institutions the limit was £15m for three years; otherwise the limit was £10m for one year. The limit for money market funds was £20m (but no more than 15% of total investments). In accordance with the strategy, other indicators of risk such as credit default swap prices are also considered before investments are made.

In addition the strategy requires that the Council will only use non-UK banks if domiciled in countries with a minimum sovereign rating of AA+, and places a limit on investments in non-UK banks of 50% of total investments.

In respect of trade debtors, credit risk is minimised by a policy of encouraging payment by direct debit, regular reporting on outstanding debt and negotiating flexible agreements for repayment of past due debt when necessary.

Potential exposure to credit risk - Investments

The Authority's maximum exposure to credit risk in relation to its investments in banks and building societies of £51.3m cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at the 31 March 2011 that this was likely to crystallise.

The Council has no past experience of default on its investments and does not expect any losses from default by any of its counterparties.

Potential exposure to credit risk – Trade debtors:

Based on the Council's experience of its customer collection levels, its exposure to default by trade debtors is:

	Amount at 31 March 2011	Historical experience of default	Adjustment for market conditions at 31 March 2011	Estimated maximum exposure to default at 31 March 2011 £'000	Estimated maximum exposure to default at 31 March 2010 £'000
	£'000	%	%		
	(a)	(b)	(c)	(a x c)	
Trade debtors	6,726	0.2%	0.2%	13	13

The Council's credit terms for trade debtors are 14 days, such that £4.297M of the £6.726M balance is past its due date for payment. The past due amount can be analysed by age as follows:

	31 March 2010 £'000	31 March 2011 £'000
Less than one month	3,629	1,242
One to two months	789	242
Two to three months	428	466
Three to four months	73	837
Four months to one year	806	956
More than one year	665	554
	6,390	4,297

In addition to the trade debtors detailed above, the Council has £1.739M of social care debtors at 31 March 2011, which arise when clients are allowed to defer payment for services if they cannot afford to pay immediately. The Council initiates a legal charge on their property under S.22 of the Health and Social Services and Social Security Adjudications Act 1983, and experience indicates that there is no significant credit risk attached to these loans.

Liquidity Risk

The Council manages its liquidity position through the risk management procedures contained within the Treasury Management and Investment Strategy reports, as well as through cash flow management procedures required by the Code of Practice. These seek to ensure that cash is readily available when needed.

The PWLB provides access to longer term funds, and also acts as a lender of last resort to councils. The Council also has access to borrowings from the Money Markets to cover any day to day cash flow need. This and the statutory requirement to provide a balanced budget, means that there is no significant risk that the Council will not be able to raise finance to meet its commitments.

Refinancing Risk

This is the risk that the Council may need to replenish a significant proportion of its borrowings at a time of unfavourable interest rates.

The Council approved Treasury and Investment Strategies address the main risks by setting prudential indicators for the maturity structure of debt, and imposing a limit of 15% on the overall percentage of debt due to mature in any financial year. The Corporate Finance treasury management team addresses the operational risks within these approved parameters by monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt where it is economic to do so, and by monitoring the maturity profile of investments to ensure sufficient liquidity is available.

The maturity analysis of financial liabilities is as follows:

	31March 2010 £000s	31March 2011 £000s
Principal due in:		
Less than one year	38	10,034
Between one and thirty years	125	91
Between thirty and forty years	20,000	20,000
Between forty and fifty years	74,819	74,819
More than fifty years	8,700	8,700
Interest payable within one year:	1,049	1,051
	104,731	104,695

The maximum amount maturing in any one financial year is £13m (12% of total borrowing).

Trade payables are not included. They fall due to be paid in less than one year.

Market Risk

Interest rate risk - The Council is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the authority. For instance, a rise in interest rates would have the following effects:

- **borrowings at variable rates** – the interest expense charged to the Comprehensive Income and Expenditure Statement will rise
- **borrowings at fixed rates** – the fair value of borrowing will fall (no impact on revenue balances)
- **investments at variable rates** – the interest income credited to the Comprehensive Income and Expenditure Statement will rise
- **investments at fixed rates** – the fair value of investments will fall (no impact on revenue balances).

In this Council the impact is limited because its borrowings and investments have been made at fixed rates and therefore only fair value is affected. There is no impact on the Income and Expenditure Account (CIES) or Movement in Reserves Statement except for investments held in the externally managed fund. This has been designated as Fair Value through the CIES account and so gains and losses will be credited or debited to the CIES account.

The annual Treasury Management Strategy includes expectations of interest rate movements, and a treasury prudential indicator sets maximum limits for fixed and variable interest rate exposure. The Corporate Finance treasury management team monitors market and forecast interest rates within the year to adjust exposures appropriately. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns; and the drawing of longer term fixed rate borrowing would be postponed or fixed rate borrowing will be repaid early to limit exposure to losses. Analysis of interest rates will also advise whether new borrowing taken out should be fixed or variable. The risk of loss is ameliorated by the fact that a proportion of government grant payable on financing costs will normally move with prevailing interest rates or the authority's cost of borrowing and provide compensation for a proportion of any higher costs.

If all interest rates had been 1% higher at 31 March 2011 with all other variables held constant, the financial effect would be:

	£,000
Decrease in fair value of fixed rate borrowing (no impact on Comprehensive Income and Expenditure Account or Movement in Reserves Statement)	18,627
Decrease in fair value of fixed rate investment assets (no impact on Comprehensive Income and Expenditure Account or Movement in Reserves Statement)	37

Externally managed fund – the impact of a change in interest rate on the fair value of the fund would be minimal as all holdings at year-end had short term maturity dates.

Price risk – the Council does not invest in equity shares and is therefore not at risk of losses arising from movements in the price of shares.

Foreign exchange risk - The Council has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates.

45. Trust Funds

The Council holds two trust funds in respect of promoting progress by pupils at Kingsfield school. The balance of these at 31 March 2011 was £11,025 (£10,744 at the end of March 2010).

46. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

2009-10		2010-11
£'000		£'000
5,821	Interest Received	2,849
(6,470)	Interest Paid	(7,022)
(1,189)	Total	(4,173)

47. Cash Flow Statement – Investing Activities

The table below shows the cash flows from investing activities, largely capital expenditure investments made and the proceeds from the sale of non- current assets and investments.

2009-10		2010-11
£'000		£'000
(87,782)	Purchase of property, plant and equipment and intangible assets	(94,962)
(466,575)	Purchase of short –term and long term investments	(115,594)
(344)	Other payments for investing activities	-
1,033	Proceeds from the sale of property, plan and equipment	(51)
538,119	Proceeds from short –term and long- term investments	122,000
(1,645)	Other investment receipts	50,392
(17,194)	Net Cash Flows from Investing Activities	(38,215)

48. Cash Flow Statement – Financing Activities

2009-10 £'000		2010-11 £'000
	Cash Receipts of short and long term borrowing	32,800
	Other receipts from financing	1,166
	Appropriation from Collection Fund adjustment account	385
(1,240)	Cash payments reducing finance lease liabilities and PFI contract liability	(1,245)
(14,392)	Repayments of short and long- term borrowing	(23,717)
(5,262)	Other payments for financing activities	0
(20,894)	Net Cash Flows from Investing Activities	9,389

49. Post Balance Sheet Event

Two of the Council's schools, one a secondary and one a primary, will become Academies with effect from 1st September 2011. They will no longer be part of the Council and hence the value of long term assets and the net worth will reduce by an estimated £18 million.

Statutory Financial Statement

Collection Fund

This provides information regarding income from Council Tax and Non-Domestic Rates and shows how the money raised has been used to pay for the services of the Council and its precepting authorities.

2009-10 £'000	Note	2010-11 £'000
Income		
(122,024) Income from Council Tax		(125,999)
Transfers from the General Fund		
(12,608) Council Tax Benefits		(13,210)
(114,714) Income collectable from business ratepayers		(109,424)
(249,346) Total Income		(248,633)
Expenditure		
Precepts and demands		
113,673 South Gloucestershire Council	4	117,653
14,441 Avon and Somerset Police Authority	4	15,211
5,250 Avon Fire Authority	4	5,466
Business rate		
114,381 Payment to national pool		109,092
333 Cost of collection		332
Bad and doubtful debts		
99 Write offs	2	358
150 Provisions increases/(decreases)		(40)
Contributions		
418 Distribution of Collection Fund surplus/(deficit)		1,009
248,745 Total expenditure		249,081
(601) Deficit/(surplus) for the year		448
(300) Deficit/(surplus) at 1 April		(901)
(901) Deficit/(surplus) at 31 March		(453)

Notes to the Collection Fund

1. Calculation of the Council Tax Base

Band	No. of Properties adjusted for growth & disabled relief	Discounts & Exemptions	Discounted Equivalent Properties	Ratio to Band D	Band D Equivalent Properties
A-	42	7	35	5/9	19
A	12,212	2,347	9,865	6/9	6,577
B	32,950	3,685	29,265	7/9	22,761
C	26,369	2,334	24,035	8/9	21,364
D	19,434	1,625	17,809	1	17,809
E	11,012	577	10,435	11/9	12,754
F	5,329	216	5,113	13/9	7,386
G	1,855	88	1,767	15/9	2,946
H	156	13	143	2	285
Total	109,359	10,892	98,467		91,901
Adjustment to allow for new discounts, single persons allowances and appeals					
Council Tax Base for 2010/11					91,901

The Council Tax Base is used to calculate the Band D average Council Tax.

2. Writing off bad and doubtful debts in the year

The following arrears were written off in the year as irrecoverable:

	2009/10 £'000	2010/11 £'000
Council Tax	99	358
Collection Fund Total	99	358
Non-Domestic Rates	333	327
Grand Total	432	685

3. Non-Domestic Rateable value and multiplier

	2009-10 £	2010-11 £
Total Non-Domestic Rateable value at 31 March 2010	315,869,982	
Total Non-Domestic Rateable value at 31 March 2011		319,357,466
National Non-Domestic Rate multiplier for the year (standard)	0.485	0.414
National Non-Domestic Rate multiplier for the year (small business)	0.481	0.407

4. Major Preceptors on the Collection Fund

	2009/10 £'000	2010/11 £'000
South Gloucestershire Council including parishes	113,673	117,652
Avon and Somerset Police	14,441	15,211
Avon Fire Authority	5,250	5,466

Your Statement of Accounts

Now that you have read the Statement of Accounts we would like to know what you think of it. Did you find it easy or difficult to understand? Did it provide the information that you were looking for? Did it contain useful and interesting information about the Council and the way it conducts its business?

We are also very interested to know how we should provide this information to you to make it easier for you to look at it and understand it. Should we provide it:

- in this format
- on the Council's website on the Internet
- with the Council Tax bill
- in a newspaper
- not at all

We want to make this document widely available, understandable and useful to the people of South Gloucestershire and other stakeholders. Over the years we have reduced the amount of jargon that it contains and we have tried to increase the number of explanatory notes but we know that we need to do more.

Please send your comments to the Financial Reporting Section, Corporate Finance, South Gloucestershire Council, Nibley Court, 3 Turner Drive, Westerleigh Business Park, Yate, Bristol BS37 5YU by using the cut-out form below or by using the on-line contact form at www.southglos.gov.uk.

THANK YOU

My comments on the 2010/11 Statement of Accounts are as follows:

To: Financial Reporting Section, Corporate Finance, South Gloucestershire Council, Nibley Court, 3 Turner Drive, Westerleigh Business Park, Yate, Bristol, BS37 5YU

Glossary of Terms

ACCOUNTING PERIOD

The period covered by the accounts. For the Council this lasts 12 months from 1st April to 31st March of the following calendar year.

ACCRUAL

An amount which has been included in the final accounts to recognise a payment that has not yet been made or income that has not yet been received for that accounting period. Accruals are made for capital and revenue income and expenditure.

ACTUARIAL GAINS AND LOSSES

Changes in actuarial deficits and losses on the pensions fund arising from:

- events that have not coincided with actuarial assumptions made for the last valuation (experience gains and losses), or
- actuarial assumptions that have changed.

ASSET

Assets are either **Current** or **Fixed**.

A **current asset** benefits the Council for up to one year (e.g. stock, debtors).

A **fixed asset** benefits the Council for more than one year (e.g. land, buildings, vehicles).

AUDIT OF THE ACCOUNTS

The annual examination of the Council's accounts by an independent external auditor who will issue a formal opinion on them at the end of the audit.

CAPITAL CHARGE

A charge to service revenue accounts of the Council to reflect the cost of using fixed assets to perform a service. Currently this is only depreciation.

CAPITAL EXPENDITURE

Expenditure incurred by the Council on the acquisition or enhancement of a fixed asset or on the provision of certain capital grants.

CAPITAL FINANCING

The setting aside of the Council's financial resources to fund capital expenditure. Capital expenditure can be funded from external sources, such as borrowing, Government's capital grants and by contributions from internal sources, such as capital receipts and reserves.

CAPITAL RECEIPT

The proceeds from the disposal of a fixed asset. Capital receipts can only be used in ways specified by the Government. However, individual proceeds of less than £10,000 are exempt and are treated as revenue income.

COMMUNITY ASSETS

Assets that the Council intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal. Examples are parks and historic buildings.

CONTINGENT LIABILITY

A possible financial obligation on the Council, arising from past events, which will be confirmed if certain events take place in the future.

CURRENT SERVICE COSTS OF PENSIONS

The increase in the "present value" of a pensions scheme's liabilities arising from employee service in the current period.

CREDIT APPROVAL

Permission to borrow to finance capital expenditure given by the Government to the Council each financial year.

CREDITOR

Amounts owed by the Council for goods and services received in the accounting period for which payment has not yet been made.

CURTAILMENT

An event that:

- reduces the expected years of future service of present employees, or
- reduces the accrual of defined benefits for a number of employees for all or some of their future service.

DEBTOR

Amounts due to the Council for goods and services rendered in the accounting period for which payment has not yet been received.

DEFERRED CHARGE

Capital expenditure by the Council that does not result in a tangible asset. An example of a deferred charge is improvement grants. Deferred charges are amortised (i.e. their value in the balance sheet is reduced) over the period during which they continue to provide a benefit to the Council.

DEPRECIATION

The cost of using a fixed asset to provide services in the accounting period.

EMOLUMENTS

Salaries and expenses allowances paid to employees, together with the money value of benefits received other than cash. Employer's and employees' pensions contributions are excluded.

EXPECTED RATE OF RETURN ON PENSIONS ASSETS

The average rate of return expected over the remaining life of the related obligation on the actual assets held by the pensions scheme.

FINANCE LEASE

A lease under which the lessee (i.e. the person or the organisation taking on the lease) acquires all risks and rewards of ownership of a fixed asset for the period of the lease. Finance leases taken up by local authorities are treated by the Government as credit arrangements and are subject to the same controls as borrowing.

GENERAL FUND

The unallocated revenue reserve of the Council.

IMPAIRMENT

A reduction in the value of a fixed asset caused by market fluctuations, physical damage, obsolescence or adverse legislative change.

INFRASTRUCTURE ASSETS

Highways, sewage works and sea defences. The valuation of infrastructure assets is based on historical cost.

INTEREST COST (PENSIONS)

The expected increase in the "present value" of the pensions scheme's liabilities in the year in question due to the fact that benefits are one year closer to settlement.

LIABILITY

A liability represents money owed by the Council to other organisations or persons. **Current liabilities** are amounts which become payable within the next accounting period (such as creditors or bank overdraft).

Long-term liabilities are amounts which will become payable beyond the next accounting period (such as long-term borrowing).

MINIMUM REVENUE PROVISION

The minimum amount that must be charged to the Council's revenue accounts every year as a provision for repayment of debt.

NATIONAL NON-DOMESTIC RATE (NNDR)

A levy on businesses, based on a national rate in the pound (set by the Government) multiplied by the rateable value of their premises. NNDR is collected by Billing Authorities (i.e. Councils that issue Council Tax and NNDR bills, such as South Gloucestershire Council) on behalf of the Government. The Government redistributes NNDR proceeds to all Councils, fire and police authorities on the basis of the RSG share.

NON-OPERATIONAL ASSETS

Fixed assets held by the Council which are not used in the delivery of services (e.g. investment or surplus properties).

OPERATING LEASE

A type of lease under which the ownership of the asset remains with the lessor. This type of lease does not come under the Government's capital controls.

OPERATIONAL ASSETS

Fixed assets held by the Council and employed in the delivery of services.

PAST SERVICE COSTS

The increase in the "present value" of the pensions scheme's liabilities related to employee service in prior years and arising in the current year because of the introduction of, or improvement to, retirement benefits.

PRESENT VALUE

The discounted value of a payment or stream of payments to be received in the future, taking into consideration a specific interest or discount rate.

PRIVATE FINANCE INITIATIVE (PFI)

A central government initiative which aims to increase the level of funding available for public services by attracting private sources of finance. The PFI is supported by a number of incentives to encourage authorities' participation.

PROVISIONS

Amounts set aside in one year to cover expenditure in the future. Provisions are set up to cover liabilities or losses which are likely or certain to be incurred, but the amounts or the dates on which they will arise are uncertain.

PUBLIC WORKS LOAN BOARD (PWLb)

A Government agency, which provides long and medium term loans to local authorities at favourable rates slightly higher than those paid by the Government on its own borrowing.

RESIDUAL VALUE OF AN ASSET

The net realisable value of an asset at the end of its useful life.

RELATED PARTIES

Two or more parties where one party has direct or indirect control or influence over the others, or where all parties are subject to common control from the same source. Examples of related parties to the Council are Central Government, other Councils, the Members, the Chief Officers and the Pension Fund. In the case of individuals identified as related parties, the following are also presumed to be related parties:

- Members of the close family or the same household
- Partnerships, companies or trusts in which the individual (or member of the close family or the same household) has a controlling interest

RELATED PARTIES TRANSACTIONS

The transfer of assets and liabilities or the provision of services by, to or for a related party, whether or not a charge is made. Material transactions between the Council and its related parties have to be disclosed in the statement of accounts. In this case, materiality is judged by the significance to the related party as well as to the Council.

REVENUE RESERVES

Amounts set aside that do not fall under the definition of provisions. These include **earmarked reserves**, set aside to cover specific eventualities and **general reserves** or balances, maintained by the Council as a matter of prudence.

REVENUE SUPPORT GRANT (RSG)

A grant paid by the Government to aid the Council services in general, as opposed to a specific grant to be used only for a specific purpose.

USEFUL LIFE OF AN ASSET

The period over which the Council will derive benefits from the use of a fixed asset.

Main sources: Code of Practice on Local Authority Accounting in the UK and Councillor's Guide to Local Government Finance, both published by the Chartered Institute of Public Finance and Accountancy